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Table with exchange rates for various countries including Algeria, Argentina, Australia, etc.

Established 1887



Policemen running toward the sound of shots as the queen steadied her 19-year-old horse, which shied at the noise.

Youth Fires Blanks At Queen Elizabeth

LONDON — Buckingham Palace said Sunday that security arrangements for the royal family are being reviewed following Saturday's incident in which a youth fired six blank cartridges at Queen Elizabeth II during a parade.



Police arrested a youth, later identified as Marcus Simon Sarjeant, after shots were fired at the queen on the Mall.

Police arrested a youth, later identified as Marcus Simon Sarjeant, after shots were fired at the queen on the Mall.

French Left Swamps Foes In First Round of Election

By Jonathan Kandell International Herald Tribune PARIS — The French left routed conservative forces in Sunday's first electoral round, and seemed almost certain to gain an overwhelming majority of legislative seats in the runoff elections on June 21.

Walesa Censures Anti-Soviet Act; Hard-Liners Fault Polish Leaders

WARSAW — Solidarity leader Lech Walesa has condemned an attack on a Soviet war memorial after fresh accusations by Communist hard-liners that the authorities had failed to counter a wave of anti-Moscow sentiment.

Irish Parties Discuss Coalition After Stalemate Vote

DUBLIN — Ireland's political parties have begun negotiations to resolve the stalemate left by Thursday's general election, in which two guerrillas jailed in Northern Ireland won seats.

Mauroy Vows to Support French Aerospace Growth

By Axel Krause International Herald Tribune LE BOURGET, France — The new Socialist government will actively support the development of the nation's aerospace industry to assure an independent defense force and continued expansion of French export markets.

Haig, in Peking, Stresses Shared Anti-Soviet Views

By Don Oberdorfer Washington Post Service PEKING — Secretary of State Alexander M. Haig Jr. brought the Reagan administration's anti-Soviet drive to Russia's bitterest foe Sunday, but the first Chinese reaction was restrained.

Dutch Squatters Even Have Critics' Sympathy

By Joseph Fitchett International Herald Tribune AMSTERDAM — Squatters in the Netherlands have emerged as the most powerful street-protest movement in a liberal country that has been the birthplace of many recent European radical trends.

Djibouti Elects Couled

DJIBOUTI — Djibouti President Hassan Couled, 65, was elected unopposed to a six-year term in balloting Friday. It was the first presidential vote since he led the country to independence from France in 1977.

Begin Steps Up Criticism of U.S. And Assails Opponents at Home

By William Clitborne
Washington Post Service

JERUSALEM — Israeli Prime Minister Menachem Begin on Sunday stepped up his counterattack against U.S. condemnation of the Israeli bombing of Iraq's nuclear reactor by sending a sharp rebuke to Defense Secretary Caspar W. Weinberger. Mr. Begin also warned his domestic political opponents that criticism of the raid encourages "all those who are plotting against us."

The prime minister did not release the text of the letter to Mr. Weinberger, but it was understood to say that Mr. Begin is hoping for greater understanding by the Reagan administration for Israel's security needs. Mr. Begin had accused the U.S. defense secretary on Thursday of demanding that the United States withhold from

Israel "all economic and military aid."

Mr. Weinberger denied making any such recommendation. Also, in a message prepared for a parade in New York by Israel's supporters on Sunday, Mr. Begin reiterated his contention that the bombing of the reactor was a legitimate act of self defense, and that it had to be done now because the reactor soon was to become "hot" and could not be destroyed later without inflicting heavy civilian casualties in Baghdad.

Aides to the prime minister stressed that Mr. Begin is not attempting to appeal to U.S. public opinion over the head of President Reagan, but that the Israeli leader had been asked to send a message to the New York gathering and that it was only natural to deal with a topical issue such as the controversy over the bombing raid.

Mr. Begin also denounced the opposition Labor Party for allegedly creating "deliberately false propaganda which is being exploited by all those who are plotting against us regarding the glorious operation of the Israel defense forces in demolishing the atomic reactor near Baghdad."

In a communique issued by his Cabinet, Mr. Begin said that criticism of the raid's timing before the June 30 election by the Labor Party leader, Shimon Peres, has encouraged enemies of Israel to conclude that the attack was an election ploy.

"No responsible opposition in a democratic nation has ever acted in such a manner," Mr. Begin declared.

Spokesmen for the Labor Party on Sunday repeated their charge that the timing of the bombing raid was politically motivated, and that Mr. Begin's sharp attacks on the United States were intended to draw sympathetic popular support at home.

Meanwhile, the Foreign Ministry acknowledged Sunday that a threat on Oct. 4 against Israel that Mr. Begin has repeatedly attributed to Iraqi President Saddam Hussein to justify the bombing was without foundation. Mr. Begin on several occasions said that Mr. Hussein, in the Oct. 4 issue of the Baghdad daily, Al-Thawra, said: "The Iranian people should not fear the Iraqi nuclear reactor, which is not intended to be used against Iran, but against the Zionist enemy."

Foreign Ministry researchers reported that the quote cannot be found in Al-Thawra, and they are attempting to determine where it originated.

UN Council Set to Resume Debate on Israel Bombing

By Bernard D. Nossiter
New York Times Service

UNITED NATIONS, N.Y. — Third World and Soviet-bloc nations will probably continue their pattern of sharp words against Israel when the United Nations Security Council resumes debate Monday on the bombardment of Iraq's nuclear reactor.

The speeches, which started Saturday, are likely to continue through Tuesday, followed by a vote on a resolution. A declaration condemning Israel might win Security Council approval, but anything stronger would probably face an American veto.

Most speakers thus far have insisted that condemnation is not enough, assuring that the council must also embargo any trade that strengthens Israeli aggression. Outside the debate, however, several Arab representatives, from Jordan to Syria, indicated that they are considering separate votes to divide the issue and win a consensus on at least a rebuke to the Israelis.

A vote on the single question of condemnation could win. The United States might even vote in its favor, particularly since the Reagan administration has already condemned Israel's air assault of last Sunday.

green light to proceed with its acts of terrorism and piracy.

"We ask ourselves for how long will the United States continue to arm Israel with advanced weapons, expertise and technology?" he said.

No Mention of Embargo

The Kuwait minister made no mention of any possible oil embargo in retaliation, even though softening oil prices would benefit from a production cut.

India and Pakistan joined the Arabs in demanding sanctions. Only Brazil appeared content with a rebuke.

Bulgaria carefully associated the Israeli raid with the United States. Boris Tsvetkov, the chief delegate, said that Israel would not have dared to carry out its attack without support of its chief arms supplier.

Mr. Tsvetkov renewed a Soviet request for an international conference to resolve the problems of the Middle East, a diplomatic device that would bring Moscow back into a central role in the region's affairs.

On Friday, Iraq's foreign minister, Sadoon Hammadi, accused Israel of a clear-cut act of premeditated aggression and urged the council to request a halt in military trade with Israel. Yehuda Blum, Israel's delegate, said his country had performed an act of self-preservation in the face of a threat of nuclear obliteration by an implacable enemy.

Death Toll in Iranian Quake Is Put at Over 2,000

TEHRAN — More than 2,000 persons have died in the earthquake that struck southeast Iran last week, the state radio said on Sunday.

The radio reported that about 1,400 victims were buried in mass and individual graves on Saturday as rescue teams picked through the ruins of Golfa, which had a population of about 10,000. The Iranian government has asked that doctors, surgeons



Relief workers remove a victim of Thursday's earthquake from debris in the town of Golfa.

Khomeini Says Bani-Sadr Still President

By Annette von Broecker
Reuters

TEHRAN — Ayatollah Ruhollah Khomeini said Sunday that President Abolhasan Bani-Sadr, although dismissed as commander-in-chief of Iran's armed forces, could carry on his duties as president.

At the same time, he ordered armed forces commanders to stay out of politics while speaking to military leaders at the mosque next to his home in a north Tehran suburb.

The ayatollah's remarks, reported by the official radio, were made as the speaker of the Majlis temporarily blocked an attempt by 120 deputies to debate Mr. Bani-Sadr's competence as president, which could have led to his ouster.

A spokesman for Mr. Bani-Sadr said the president was at his home near the central Tehran presidential palace. He has so far refused to resign in the face of threats from the Majlis.

Majlis Speaker Hashemi Rafsanjani was interrupted by calls for immediate action as he said the issue was of such national importance that it had to be carefully prepared by a 12-man managerial board. Mr. Rafsanjani, who discussed the issue of the president Saturday with Ayatollah Khomeini, gave no indication of when

and nurses go to the afflicted area.

The governor-general of Kerman province told the official Pars news agency that 1,600 bodies had been pulled from the ruins of Golfa, a mud-built town 500 miles (800 kilometers) southeast of Tehran. He was quoted as saying that rescue operations were expected to end by Sunday evening when the authorities would decide whether to bulldoze the area.

In Geneva, the League of Red Cross Societies said on Sunday that it had passed on a request to its members from the Iranian Red Crescent for tents and blankets to be sent to the earthquake victims.

The league said that a delegate had left its Geneva headquarters for Tehran, and that the national Red Cross or Red Crescent societies that comprise its membership had started responding to the appeal for kerosene stoves, lanterns, medical supplies and food.

he endorsed the candidacy of his former aide before the January, 1980, presidential elections in which Mr. Bani-Sadr won a landslide victory.

If the president were dismissed, his functions would be taken over by a provisional council consisting of the speaker, the premier and the chief justice. The constitution requires a new election within 90 days but observers say that while the country is at war with Iraq this could be delayed.

Mr. Bani-Sadr's newspaper, Islamic Revolution, was closed a week ago for allegedly causing tension. Its managing editor, one of the president's closest advisers, was arrested Saturday in Kermanshah province and later jailed in Tehran, a spokesman for the president's office said.

Severe Rebuke

Further votes on the other Iraqi demands — that arms trade with Israel be banned and that Israeli nuclear installations be subjected to international inspection — would almost certainly be defeated by a U.S. veto, Britain and France are thought likely to cast vetoes as well.

If the Arabs follow the course of separate votes, the result could be a separate international rebuke of Israel for the raid. But apart from political and psychological damage, Israel would be spared any concrete punishment.

Moreover, if the Reagan administration could partially satisfy Arab grievances, the United States might be left in a position to release the four F-16 fighter-bombers whose delivery to Israel was suspended on Wednesday pending investigation over whether U.S. law was violated by using American-built planes in the assault.

The key speech Saturday was delivered by Sheikh Sabah al-Ahmed, foreign minister of Kuwait, a moderate oil state. He pointedly warned the United States against casting a veto, saying it would shock the Arab peoples and give the aggressor the

Begin's Party Widens Lead In 2 Surveys

TEL AVIV — Prime Minister Menachem Begin has gained a comfortable lead over the Labor Party in two opinion polls.

The Mod'iv Ezzahli Applied Research Center projected 46 seats for Mr. Begin's Likud Party and 40 for Labor in the 120-seat parliament following the June 30 elections. The gap was 45 to 42 in late May, the poll found.

A separate poll by Public Opinion Research of Israel gave Likud a 43-to-37 lead over Labor. The soundings were conducted before Israeli planes bombed an Iraqi nuclear reactor Sunday. The popularity of this operation is expected to boost Mr. Begin's ratings in the next round of polling.

Lebanon's Christians

BEIRUT (Reuters) — Lebanon's rightist Christians, accused by Syria of collaborating with Israel, are ready to sign a statement with other Lebanese factions rejecting ties with the Jewish state, a Christian leader said in an interview published on Sunday.

But the Falangist party chief, Pierre Gemayel, rejected demands by the Syrians and certain Lebanese leftist groups that the Falangist-dominated rightist alliance known as the Lebanese Front should issue a separate statement renouncing dealings with Israel.

U.S. Reportedly to Offer Pakistan F-16s

By Judith Miller
New York Times Service

WASHINGTON — The Reagan administration has decided to offer 12 and possibly more U.S.-built F-16 fighter planes to Pakistan as part of a five-year economic and military assistance package, according to administration officials.

The F-16 jet fighters are being offered to offset the threat believed to be posed by the Soviet military presence in Afghanistan.

The offer is being made by Undersecretary of State James L. Buckley, who is in Pakistan to discuss the \$2.5-billion aid package previously proposed by the administration.

Officials said that the proposal on the fighters was approved last week at a National Security Council meeting after Mr. Buckley had already left for Pakistan. Objections based mainly on costs and delays in supplying U.S. forces were raised by the Office of Man-

Somalia Says 30 Die in Raids by Ethiopian Jets

MOGADISHU, Somalia — Ethiopian fighters have bombed two provincial capitals in central Somalia, killing 30 persons and injuring 53, government officials said.

The air raids have forced Somali President Siad Barre to cancel a visit to Egypt and a scheduled meeting Sunday with President Anwar Sadat, the Cairo newspaper Al-Ahram reported.

The Somali government said 24 persons were killed and 37 injured Friday at Galesio, 50 kilometers (31 miles) from the Ethiopian border. Six persons were killed and 16 injured in a bombing raid Saturday on Duss Mareb, 150 kilometers south of Galesio, it said.

The attacks raised the death toll to 42 persons in seven raids last week on Somalia towns and villages near the border with Ethiopia's disputed Ogaden region, officials said. Ethiopia and Somalia fought a war in 1977-78 over control of the Ogaden.

Journalists who visited two of the villages bombed last week were told by military authorities that the attacks could have been in retaliation for recent attacks inside the Ogaden by Western Somalia Liberation Front guerrillas.

Pakistan Suspect In Hijack Found

ISLAMABAD, Pakistan — Police have arrested a man suspected of being one of the three men who hijacked a Pakistani jetliner in March. Officials said police captured the suspect near the Afghanistan border as he was trying to make his way to Kabul.

Police did not identify the suspect, but said he was not the hijack leader, Salamullah Khan Tippu. The other two men involved in the incident have been identified as Abdul Nasir and Arsal Butt. All were reported to have spent the month following the hijacking in Kabul.

The three who claimed to belong to the Pakistani dissident organization led by Murtaza Bhutto, son of executed Prime Minister Zulfikar Ali Bhutto, hijacked the jet March 2, first ordering the plane to Kabul and later to Damascus. The 13-day hijacking was the longest in which hostages were held aboard the plane.

White House to Push Saudi Arms Deal

By Rudy Abramson
Los Angeles Times Service

WASHINGTON — The Reagan administration will launch an effort immediately after the July 4 congressional recess to persuade skeptical lawmakers to accept its plan to sell five sophisticated Airborne Warning and Control System (AWACS) planes to Saudi Arabia.

Bitterly opposed by Israel, the arms package has been delayed because of the impending Israeli elections on June 30. It has been further delayed because the Senate Republican leader, Howard H. Baker Jr. of Tennessee, had warned the White House that Congress might reject the sale, which also includes F-16 fighter planes.

Raid's Effect

The administration would be in position to argue that since no strong measures were taken in response to Israel's use of U.S.-provided planes in the Iraqi air raid, then Israel should abandon its intensive lobbying in Washington against the Saudi sale.

Some administration officials are said to believe that the Israeli raid may already have moderated sentiment against the sale in Congress.

Though investigation of the Israeli raid is still not completed, and congressional hearings are expected this week, there is already widespread speculation that the whole matter will be allowed to drop.

According to White House plans, the last three weeks of July will be used for informal consulta-

Assembly Ban in India

NEW DELHI — Authorities proclaimed a ban on assembly in the western Indian town of Dhoraji on Saturday after police fired 49 rounds to quell Muslim rioting and arson, reports said.

WORLD NEWS BRIEFS

France Pledges to Help Fight Basque Violence

MADRID — French Foreign Minister Claude Cheysson has pledged that his country's new Socialist government to help Spain fight Basque separatist guerrilla violence. As well, he expressed support for Spain's entry into the European Economic Community and NATO.

After meeting Saturday with Spanish Premier Leopoldo Calvo Sotelo, Mr. Cheysson told reporters that guerrilla violence was as intolerable to France as it was to Spain. "We shall fight it with all our means, you will see over the next few months," he added.

Mr. Cheysson's overnight visit to Madrid appeared to ease the growing ill-feeling over the issue caused by apparent French unwillingness to extradite a suspected Basque guerrilla, Tomas Linaza Echevarria, accused of involvement in seven killings. Mr. Cheysson, however, said that no decision has been made on whether Mr. Linaza would be extradited since police were continuing to investigate whether he had committed any offence in France.

Pope Addresses Crowd at St. Peter's Square

VATICAN CITY — For the second time since the attempt on his life May 13, Pope John Paul II addressed a crowd in St. Peter's Square on Sunday. After a brief recorded address was played, the pope leaned out the window of his apartments overlooking the square and spoke in a clear voice.

"I want to greet all Romans and pilgrims and give the apostolic blessing to everybody who listens to me through the radio and television," the pope said in Italian. The, in a "special word" to a group of his countrymen in the square, he said in Polish: "I am with you. I bless you."

On Saturday, Vatican Radio said, "Exactly a month from the attack, the general condition of the pope continues to improve... and he is slowly returning to his normal lifestyle."

Survivors of Holocaust Gather in Jerusalem

JERUSALEM — About 6,000 people from 23 countries have arrived in Israel for the first world gathering of Jewish survivors of Nazi concentration camps, the organizers of the gathering said Sunday.

About 3,000 Israelis and 800 children of survivors will also take part in the four-day gathering, which begins Monday in Jerusalem, said Ernest Michel, the chairman of the organizing committee.

Jerusalem's convention center has been named "Survivor Village" for the occasion. The gathering will end with a procession to the Western Wall, where the survivors will light 6,000 candles for the 6 million Jews who died in the Nazi extermination campaign.

2 Frenchmen Are Missing in Atlantic Air Race

PARIS — A Piper Comanche light aircraft flown by two Frenchmen was reported missing after taking part in an international race from Paris to New York and back, organizers of the race said on Sunday.

The plane, flown by Jean Messerot and Olivier Reccoin, took off last weekend with 65 other competitors. "It has been missing since last Tuesday and is believed lost in the Atlantic," a race official said. The race officially ended Saturday night.

Arafat Seeking to Mediate Conflict in Sahara

ALGIERS — Palestine Liberation Organization leader Yasser Arafat was scheduled to return to Algiers Sunday from Rabat, Morocco, where he met briefly with King Hassan II in an apparent effort to mediate the conflict in the western Sahara on the eve of the annual summit meeting of the Organization of African Unity in Kenya.

Mr. Arafat met with Algerian President Chadli Bendjedid on Saturday and then flew to Rabat. After the meeting in Algeria, Mr. Arafat said the discussions were to solve problems existing between Arab and Islamic countries in order to face the Zionist danger.

Tripoli's radio station said Libyan leader Col. Moammar Qadhafi has sent Mr. Arafat on an inter-Islamic mission to discuss the Iran-Iraq war and the war in the western Sahara. The radio said Mr. Arafat also would go to Saudi Arabia, Tehran and Baghdad.

French Left Swamps Foes In First Round of Election

(Continued from Page 1)

center-right candidates next Sunday to prevent the formation of a "monolithic" National Assembly and "all that implies."

At Socialist headquarters, where euphoria reigned, Lionel Jospin, the party's first secretary, hailed the outcome as "a remarkable result for the left, and especially for the Socialists."

Mr. Jospin said the leftist tidal wave was "logical" because the French had already elected Mr. Mitterrand as president and were determined to give him the legislative majority he needed to govern. Throughout the brief campaign, the Socialists had warned that if the center-right kept control of the National Assembly, a political crisis could erupt pitting the legislature against the president.

Spokesmen from the Communist Party, the neo-Gaullists and the Giscardists also concurred that President Mitterrand's long coatsails were the main reason for the Socialists' impressive showing.

In his only note of caution, Mr. Jospin reminded his followers that the second round was crucial and that a similar vote was needed on June 21 to determine the make-up of the legislature.

When the 491-seat National Assembly was dissolved last month by President Mitterrand following his own election that ended 23 years of conservative rule, it included 155 neo-Gaullists, 119 Giscardists, 117 Socialists, 86 Communists, and 14 independents.

Communist Tailspin

Besides the bloated Socialist score, Sunday's vote confirmed that the Communists are in the throes of a historic tailspin. Their candidates took only about 16 percent of the vote — a fraction above the 15.3 percent who backed the party's candidate in the recent presidential elections, which was the worst Communist showing in 45 years. Political analysts predicted that the Communists could emerge from the runoff with a loss of 30 to 40 seats.

In achieving a combined total of about 41 percent, the two main conservative parties fared much worse than Valéry Giscard d'Estaing, who lost the presidency last month with 48.24 percent of the vote. Sunday's vote was a particular disappointment for the Giscardists, whose candidates trailed their conservative allies, the neo-Gaullists, by 22.7 percent to 18 percent.

But Jacques Chirac, the neo-Gaullist leader, had little to cheer about because computer projections indicated that his party could end up losing half of its National Assembly seats. In a solemn message, he urged his followers to try and reverse the voting by turning out in greater numbers on June 21 because of the "capital importance" of the second round. But Mr. Chirac appeared to be only guessing that most of the abstentions in the first round were conservative voters. Without a detailed district-by-district breakdown of Sunday's returns, it was still not possible to predict accurately what the up might emerge in the National

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Democrats, GOP Reverse Roles on Tax Issues

By Art Finc
The Associated Press

WASHINGTON — A few years ago, when the economy was more buoyant and liberals were still riding high, it was easy to tell the Democrats from the Republicans on tax issues.

Most Democrats had a simple creed: tax relief should go mainly to low- and middle-income households at the expense of the well-to-do. Business tax cuts were "give-aways" and Congress, in the name of reform, ought to close those "loopholes" that benefited the rich.

Republicans, on the other hand, wanted tax cuts skewed to help high-income investors, more tax cuts for business, an end to mounting budget deficits and "loopholes" left intact. Only a few Democrats — all conservative Southerners — went along.

Today, however, as the House Ways and Means Committee moves into mark-up on a new tax-cut bill, the Democrats are much more conservative and the tax stances of the two major parties have shifted sufficiently to make old hands do a double-take.

The Democrats are still pushing a plan that would do more for those in the lower brackets than would the Republicans' tax package. But the Democratic alternative also contains so many breaks for savings and investment it is virtually a clone of the GOP proposals of a few years ago.

Invoking Kennedy
The Democrats are now proposing slashing the maximum rate on investment income from 70 percent to 50 percent, cutting estate and gift taxes, increasing savings incentives and write-offs on interest income, and even cutting capital gains taxes.

At the same time, Republicans are pressing for large tax cuts that would send the budget deficit soaring — a strategy they are fond of comparing to the tax reductions pushed through by former President John F. Kennedy in 1962.

Meanwhile, almost nobody is talking about loophole-closing or tax reform. Said Rep. James C. Wright Jr., the Texas Democrat and majority leader, in a television interview recently, "One man's loophole is another man's legitimate benefit."

Not long ago, that was the sort of thing only Republicans used to say. Although Democrats and Republicans are still scrapping, the terms of debate have shifted so sharply that by historical standards the Republicans effectively will have won the battle even if they "lose" the current debate.

Indeed, the Reagan administration thinks so much of the Democrats' proposals it had planned to incorporate them in a second tax-cut bill later on. Now it has included them in the president's new "bipartisan compromise" bill.

"System Has Moved"
"It used to be that these kinds of things were only being advocated by rednecks and Republicans," said Rep. Kenneth L. Holland, a South Carolina Democrat and long-time Ways and Means Committee member.

To Rep. Barber B. Conable, the New Yorker who is the committee's ranking Republican, the shift was almost inevitable: "It's obvious that what we were doing before just wasn't working. The whole American political system has moved."

What made the Democrats swing so far to the right?
Inflation is the major cause of the change.

according to Rep. Sam M. Gibbons, Democrat of Florida, who is on the Joint Committee on Taxation, was one of the early "tax reformers" on the Ways and Means Committee and now has turned more conservative himself. Specifically, Rep. Gibbons has referred to the impact of the price spiral in making the middle class feel more pinched — and less charitable — on questions of taxes.

In the early 1960s, when inflation still was mild, people were in a charitable mood. Tilted tax breaks to the poor was easy enough for Congress to do.

Democrats Depart
With soaring inflation, however, people have been earning more than they ever dreamed, but enjoying it less — making them far less inclined to sacrifice their tax relief to the poor.

Experts also cite these influences:
• The recent out of business slumps, particularly in autos and steel, which has scared blue-collar workers and made them more willing to support business tax incentives that ultimately could mean more jobs.

• The defeat — or retirement — of many older-line Democrats who provided the majority for previous tax cuts.

• The emergence of an effective business lobby that has been able to write on key tax issues, enabling it to push faster depreciation write-offs and other corporate cuts successfully. Democrats and Republicans are now falling all over each other to sponsor pro-business tax cuts. Even liberals on the Ways and Means Committee have a business-tax plan.

• The zeal of "tax reformers" — both in the last major "reform" bill, in 1976, and in

former President Jimmy Carter's ill-fated 1978 tax-revision proposal — which finally cloyed and helped take the momentum out of loophole-closing.

The high-point of the "tax reform" movement came in 1976, when Congress passed a bill that seemed an embodiment of liberals' dreams. The measure contained more than 200 separate "loophole-closings," shut down dozens of longstanding tax shelters, put new restrictions on use of the foreign tax credit and cut back tax breaks for Americans working abroad.

It also raised taxes of those who sell inherited property for profit, toughened the tax treatment of capital gains and trimmed back some of the tax breaks then given large farms.

No Free Martini Lunch
But many of the provisions only led to heightened opposition. The tax increase on Americans working abroad, for example, left U.S. construction firms claiming they could not compete with foreigners because of increased costs.

The cause of "tax reform" may also have been set back by the complex overhaul plan Mr. Carter sent to Congress in 1978 — a plan so unrealistic in some respects that many feel that it made tax revision look silly. A prime example was Mr. Carter's loudly proclaimed demand that Congress cut back the longstanding deduction for business entertainment — the "three martini lunch" — a standard write-off in business for years.

Although the president asserted repeatedly that the deduction was a sop for corporate executives, the biggest opposition to ending it came from restaurant workers who feared it would cost them jobs.

Reading Legislative Mind A Dilemma for High Court

By Linda Greenhouse
New York Times Service

WASHINGTON — The U.S. Supreme Court engaged last week in a time-honored and mysterious exercise: reading the mind of Congress.

In one of the most important sex-discrimination cases of the term, a 5-to-4 majority decided that the 86th Congress, which enacted the Equal Pay Act of 1963 and the

observed that "a dog's failure to bark may be probative, whether or not he has been trained as a watchdog."

Last week's dispute focused on one sentence in the Civil Rights Act of 1964, which states that it shall not be an unlawful employment practice for an employer to pay different wages on the basis of sex if such differentiation is authorized by the Equal Pay Act. The act specifies excuses for wage differentials based on seniority, merit and some other sex-neutral criteria.

To Mr. Brennan, the Civil Rights Act incorporated the four defenses of the Equal Pay Act. To Mr. Rehnquist, if the Civil Rights Act meant something broader than equal pay for equal work, it would be an implicit repeal of the Equal Pay Act. If Congress had meant to repeal a year-old statute, he said, it would have said so.

Nepal Names Premier

KATMANDU, Nepal — The new legislature gave Surya Bahadur Thapa 121 of 135 votes to make him the country's first elected premier, it was announced Sunday. Mr. Thapa, 53, who has been premier for two years under a mandate from King Birendra, was the only candidate.

U.S. Judges Defy Burger, Seek to Form Pay Lobby

By Fred Barbash
Washington Post Service

WASHINGTON — Much to the dismay of Chief Justice Warren E. Burger, some federal judges are seeking to organize an association to lobby for higher salaries and fringe benefits.

The judges are not calling their proposed Federal Judges Association a union. Nevertheless, the effort represents the first time judges have gone outside their officially sanctioned Judicial Conference. District court judges are paid \$67,100 annually and appeals court judges receive \$70,900.

Mr. Burger has sought to halt the movement, but one of the organizers said Friday they would continue. The call to organize was made in a May 29 letter addressed to all federal judges and sent from two U.S. district court judges in California: Samuel Conti and Spencer Williams. Eight other judges from around the country are part of the organizing group.

The Williams-Conti letter called for creation of a federal judges association, complete with \$200 dues and a possible Washington coordinator. The letter expressed appreciation for the work of the chief justice and others to improve salaries but it said not enough has been achieved.

The Washington coordinator,

Aerospace Firm Cheated NASA, U.S. Panel Told

United Press International

WASHINGTON — A U.S. grand jury in Los Angeles is investigating whether Rockwell International Inc., prime contractor for the space shuttle, billed the space agency for work it did for the Air Force, a NASA official says.

J. Brian Hyland, deputy inspector general for the National Aeronautics and Space Administration, said Friday that the FBI has given NASA's information to the panel.

The allegation given the grand jury, he said, is that Rockwell billed to NASA "cost-plus" contract work performed on fixed-price Air Force contracts. This allegedly was done to have the government pay for excess costs of the Air Force work that Rockwell otherwise would have to absorb.

Mr. Hyland said he began seeking grand jury action in 1979 when he estimated the total cost of the "misbilling" could amount to \$5 million. He said the Defense Contract Audit Agency, now working with the FBI on the matter, was making an audit that would go to the grand jury.

Toronto Paper Concedes Story Undocumented

New York Times Service

TORONTO — Faced with a libel suit and denunciations in the House of Commons, The Toronto Sun newspaper has admitted that it had no documentation to substantiate a story charging that a member of Prime Minister Pierre Elliott Trudeau's Cabinet benefited from stock manipulations through government information.

The June 2 article charged that in trading of stock for Petrofina, the Belgian oil company that was purchased by the government agency Petro-Canada, in January, "substantial profits" had been made by many individuals and companies, including some with links to Mr. Trudeau's governing Liberal Party.

The article listed John Munro, minister of Indian affairs and Northern development, as a director of Molly Investments, which was said to have bought 2,200 Petrofina shares Sept. 15 at \$67 each and to have sold them Jan. 30 at \$120. It was later revealed that there is no such company as Molly Investments. Mr. Munro has filed a libel suit seeking \$630,000.

3 Weeks

It has been less than three months since President Reagan proposed his cuts and only three weeks since Congress issued the spending-cut instructions to the committees.

"We are eminently pleased with the results... It's the most dramatic reduction in ongoing programs in the history of the country," said Senate Budget Committee Chairman Pat V. Domenici, Republican of New Mexico, as he released tentative figures indicating that the Republican-controlled Senate committees cut \$37.1 billion compared with a target of \$35.2 billion.

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to a proposed "cap" on food stamp spending that he says means Congress will "cut the poor people off food stamps the week before Christmas or, more likely, pass a supplemental (appropriation) and bust the budget."

In addition, Rep. Panetta and some other members point out that the Senate Energy Committee and the Democratic majority on the House Energy Committee met their targets only by assuming that the Strategic Petroleum Reserve will be financed next year by nearly \$4 billion in private financing, meaning it is not counted in the budget.

If the \$4 billion has to be put back in the budget, total savings would be less than \$32 billion, Sen. Domenici noted.

Rep. Gramm said that it would not be decided until early this week whether to go ahead with a substitute and added: "It is difficult to see how we can correct the problems with the package without going with a substitute on the floor."

The proposed cuts from the 15 House and 14 Senate committees will be packaged this week into omnibus bills for consideration on the floor of both houses, probably the week of June 22.

Appeals Court Reverses N.Y. Census Recount

United Press International

NEW YORK — A federal appeals court has ruled that a lower court was in error when it ordered the U.S. Census Bureau to adjust its population figures for New York without considering the adjustment's impact on other states.

"The district court was required to conduct the trial in such a manner that the interests of other states were not prejudiced by rulings that prevented a full and fair development of the facts," the appellate bench said.

The 2d Circuit Court of Appeals in Manhattan reversed and remanded for a new trial the December order by District Court Judge Henry Wecker that the Census Bureau revise its population figures on a statistical basis to compensate for a "disproportionate undercount."

The appeals court advised "that the adversely affected states" should be brought into the proceedings if feasible.

Senate, House Panels Meet Budget Cuts, Reports Say

By Helen Dewar
Washington Post Service

WASHINGTON — Senate committees exceeded their target of \$35 billion in budget cuts for the next fiscal year by nearly \$2 billion and most House committees met or surpassed their allotted quotas for cuts, according to preliminary estimates.

The estimates were released on Friday, and if they withstand a weekend of intense scrutiny by the Congressional Budget Office, it will mean that the committees — at least on paper — had made good on the promise of austerity that Congress put forth in its budget resolution last month.

It would also mean that, aside from his proposed Social Security benefit cuts, President Reagan has won virtually all he sought in budget reductions, although not necessarily in the form he proposed.

Moreover, Congress is slashing away on schedule, meeting deadlines that once seemed extraordinary for a body that normally acts with no more than deliberate speed on budget matters.

3 Weeks

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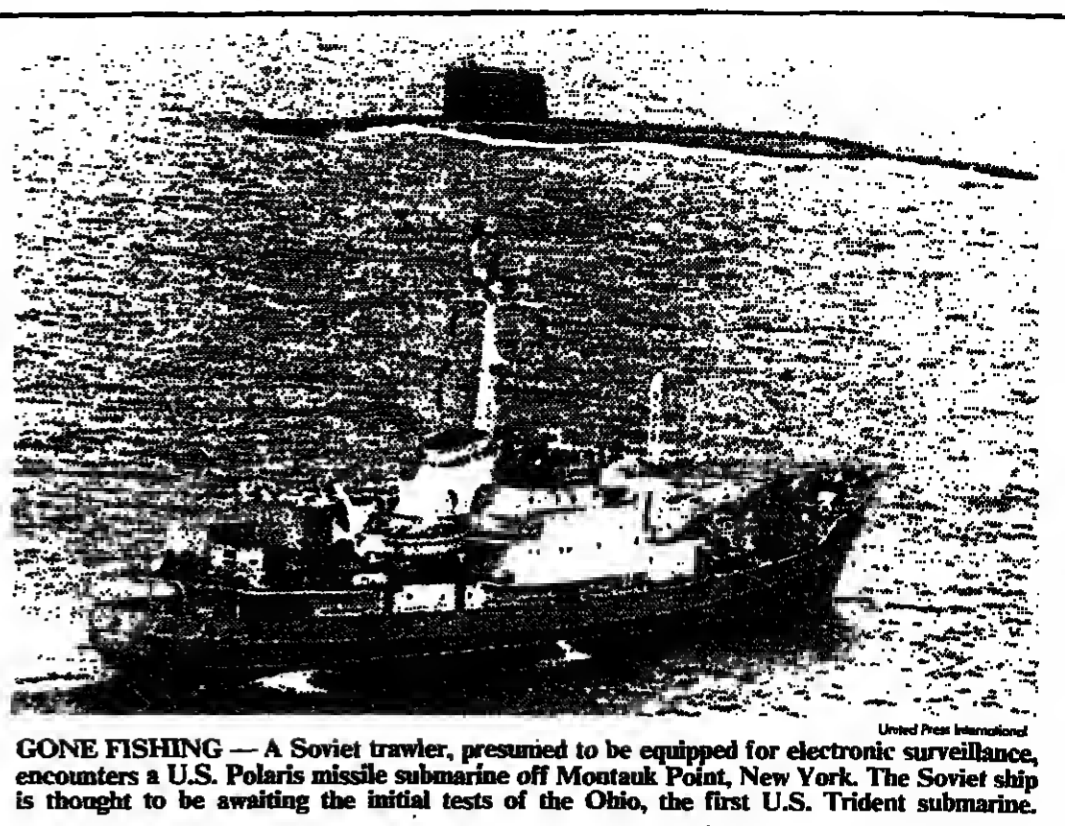
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3 Civil Guards Killed In Costa Rican Capital

The Associated Press

SAN JOSE, Costa Rica — Three civil guards and a taxi driver were killed over the weekend, according to police. The action was attributed to terrorists, one of whom died, another was arrested and three escaped.

The attackers' car contained a large quantity of guns, a fragmentation bomb, wings and facial makeup, the police said. They speculated that the group was on its way to the capital from a suburb to stage an attack when the civil guards and taxi driver tried to halt their car on Saturday.



GONE FISHING — A Soviet trawler, presumed to be equipped for electronic surveillance, encounters a U.S. Polariss missile submarine off Montauk Point, New York. The Soviet ship is thought to be awaiting the initial tests of the Ohio, the first U.S. Trident submarine.

Panel Urges Renewed Anti-Missile Pact

New York Times Service

MOSCOW — An international panel of senior statesmen devoted to promoting disarmament concluded a two-day meeting here Sunday by urging both the United States and the Soviet Union to preserve the treaty on the limitation of anti-ballistic missile systems, which is scheduled for review next year.

Olof Palme, the former Swedish premier who is chairman and founder of the Independent Commission on Disarmament and Security Issues, told a news conference that the deduction was a sop for corporate executives, the biggest opposition to ending it came from restaurant workers who feared it would cost them jobs.

Teamster Leader Pleads Not Guilty

United Press International

CHICAGO — Teamster President Roy L. Williams has pleaded not guilty to charges that he tried to bribe a U.S. senator.

Four other suspects named with Mr. Williams in federal conspiracy indictments also appeared before U.S. District Judge Prentice H. Marshall on Friday and pleaded not guilty. The five are slated to go to trial in January.

Mr. Williams, three other Teamster officials and a reputed Chicago organized crime figure are accused of offering Sen. Howard W. Cannon, the Nevada Democrat, 5.8 acres of Las Vegas property in 1979 at a bargain price in return for help in defeating a trucking deregulation bill. Mr. Williams' plea was made a day after he met with President Reagan at the White House to endorse the president's economic program.

systems would be marginally effective and would set off a costly and destabilizing spiral in the arms race.

At a meeting with Mr. Palme on Friday, Soviet Chairman Leonid I. Brezhnev accused the United States of showing no real interest in negotiations and said the Americans are seeking to tilt the balance of power in Europe.

Mr. Brezhnev's statements were echoed Sunday by the Soviet member of the commission, Georgy A. Arbatov, director of the Soviet Institute of the U.S. and Canada. "We have no reasons to believe the Americans are serious about starting talks," he said.

Both Cyrus R. Vance, U.S. secretary of state under former President Jimmy Carter, and David Owen, the former British foreign secretary, were received by Soviet Foreign Minister Andrei Gromyko, but they declined to comment on the meeting. Mr. Vance did say that he would report to the Reagan administration upon his return.

Reiterating his support for the SALT-2 treaty, which Mr. Reagan has declared must be renegotiated, Mr. Vance called it a good, sound and verifiable agreement on which he hopes discussions will soon resume.

Joseph den Uyl, a former Dutch premier whose government has resisted the stationing of a new generation of American nuclear missiles within their borders, stressed that the Soviet Union must show willingness in any future negotiations to reduce or pull out the deployed new SS-20 missiles.

The commission also considered the issue of verifying controls on weapons systems and concluded that although no verification system is totally foolproof or immune to charges of cheating, the treaties and agreements relating to strategic arms are adequate.

U.S. Delays Shift Of Iranian Assets

United Press International

WASHINGTON — The Treasury Department has extended indefinitely a deadline of June 19 by which more than \$2 billion in remaining bank deposits and other financial assets of Iran were to be turned over to the Federal Reserve Bank of New York.

The Treasury said it did so because the Supreme Court is considering whether President Jimmy Carter had authority to nullify attachments, suspend claims and order the transfer of frozen Iranian assets as part of the deal to free the U.S. hostages in Iran.

The high court announced on Thursday that it would immediately review presidential orders suspending American claims against Iranian assets and authorizing a funds transfer.



WHEN YOU TELL 'EM BACK HOME HOW YOU "REINED" IN IRELAND, SAVE SOME IRISH POUNDS ON THE CALL.

The Irish have a way of making you feel like a queen. They put you up in one of their ancient castles. Invite you to lavish medieval banquets at night. And show you the most beautiful countryside in the world by day—in a jaunting cart, no less (with you holding the reins). But before you share it all with the folks back home, check out these pound-saving tips.

SAVE ON SURCHARGES
Many hotels outside the U.S. charge exorbitant surcharge fees on international calls. And sometimes the fees are greater than the cost of the call itself. But if your hotel has TELEPLAN, the way to keep hotel surcharges reasonable, go ahead and call. No Teleplan? Read on! There are other ways to save.

SAVE WITH A SHORTIE
In most countries there's no three-minute minimum on self-dialed calls. So if your hotel offers International Dialing from your room, place a short call home and have them call you back. The surcharge on short calls is low. And you pay for the call-back from the States with dollars, not local currency, when you get your next home or office phone bill.

SAVE THESE OTHER WAYS
Telephone Company credit card and collect calls may be placed in many countries. And where they are, the hotel surcharges on such calls are usually low. Or, you can avoid surcharges altogether by calling from the post office or from other telephone centers.

SAVE NIGHTS & WEEKENDS
Always check to see whether the country you're in has lower rates at night and on weekends. Usually the savings are considerable.

You'll save a lot of green when you follow these tips. And a lot of gas when you travel by jaunting cart.



Reach out and touch someone

U.S. Nuclear Plant Inspections Called No Assurance of Safety

By Irvin Molotsky
New York Times Service

WASHINGTON — A congressional committee investigating last October's water spill at the Indian Point nuclear power plant at Buchanan, N.Y., has concluded that the existing federal inspection system "is not capable of offering genuine assurance that the nuclear power industry is being safely operated."

One of the major problems facing the inspection program is a shortage of qualified Nuclear Regulatory Commission inspectors, according to Rep. Toby Moffett, Democrat of Connecticut and the principal advocate of the conclusion reached by the committee.

Rep. Moffett is chairman of the environment, energy and natural resources subcommittee of the House Government Operations Committee, which adopted its subcommittee's findings last week without dissent.

In a coincidental action, the Nuclear Regulatory Commission announced last week that the number of resident inspectors at Indian Point was being increased from two to four, which could go far toward making congressional concern over the power plant.

When the water spill occurred at

Indian Point last October, two inspectors were to have been on duty, but the congressional report noted that one was a new arrival who was away during the week and the other had left the site for the day. The Consolidated Edison Co., which operates the plant, about 35 miles (56 kilometers) north of midtown Manhattan on the Hudson River, was fined \$210,000 by the commission.

'Not Enough People'

Rep. Moffett, speaking of the Con Edison episode and other incidents, said, "We are not saying that anyone is evil, but that there are not enough people."

The problem, he said, was made more complicated by both an intended speedup in the licensing of new nuclear plants and restrictions on new hirings that had been imposed earlier this year before being modified.

In its report, the committee said: "While it is conceivable that the industry is being safely operated, the plain truth is that the Nuclear Regulatory Commission inspection program is not now capable of ascertaining that fact one way or another."

"The NRC's routine, basic inspection program, designed as it is to see whether utilities are regular-

ly conforming with NRC regulations, is not being completed," the report said. "In fact, the NRC enforcement chief does not even claim that it is being two-thirds completed."

"And at a particularly sensitive site, like the Indian Point site near New York City, that preventive program was not even one-third completed last year," it said.

'Disturbing Regularity'

Richard C. DeYoung, deputy director of the commission's Office of Inspection and Enforcement, said he had not yet received the congressional report, but when it was read to him, he said, "What does 'genuine assurance' mean? ... No plant can be run with 100-percent assurance." Mr. DeYoung said, adding that the commission was doing the best job possible under the inspection program and given its budget restraints.

"Instances of serious utility mismanagement resulting in costly and at times dangerous outages at nuclear plants occur with disturbing regularity," the committee said, and listed some of the instances:

- Last Feb. 11, an inexperienced operator mistakenly opened a valve at the Tennessee Valley Authority's newly licensed Sequoyah plant near Chattanooga, leading to the loss of 110,000 gallons of water from the primary cooling system and endangering the reactor.
- "He became aware that he may have caused a problem when he met people evacuating containment as he left the auxiliary building," an internal commission report noted.
- The NRC proposed last Oct. 21 that the Commonwealth Edison Co. be fined \$40,000 after an inspector entered the control room at the utility's reactor near Morris, Ill., and found its two operators asleep.
- A \$40,000 fine was proposed last Feb. 18 against the Florida Light and Power Co. after inspectors found that no one was at the controls of one of two units that were operating at full power.

In addition to these and other incidents, the study suggested, there might have been even more but these would have gone undetected because of the shortage of federal inspectors.



Alfredo Rampi's parents, Franca, left, and Ferdinando, lower right, after learning that rescue workers had failed to reach their son, who had been trapped in a well since Wednesday night.

Child Trapped in Italian Well Is Dead, Experts Say

FRASCATI, Italy — Authorities issued a statement on Sunday effectively declaring 6-year-old Alfredo Rampi dead. 87 hours after he fell into an artesian well and became trapped 200 feet underground. Officials said they would still try to recover the boy's body.

The declaration, which was issued after conferences with doctors and rescue workers on the scene, sparked anger among the small group of onlookers surrounding the well. "Idiot, shameful buffoons," some in the group shouted at rescue

workers near the well into which the boy fell Wednesday night.

The declaration said: "The medical team has issued a document in which the presumed death of Alfredo Rampi has been recognized. Work to recover the dead boy using methods yet to be decided upon by the experts will go ahead."

Earlier Sunday, the rescue team lowered a video camera into the well. It showed the boy's body almost submerged in mud, with only his head and one arm visible in the one-foot-wide hole. Experts were meeting at the Interior Ministry in Rome to decide the best method for retrieving the body.

Spadolini Said to Prepare Plan for Italy

ROME — Premier-designate Giovanni Spadolini, who expects to form Italy's 41st postwar government this week, spent Sunday working on a four-point draft political program involving measures to combat inflation, reform public life, increase law and order and clarify foreign policy, political sources said.

The sources said that the Republican Party leader, who indicated Saturday that he had enough support among other parties to become Italy's first non-Christian Democratic premier, will present the plan to President Sandro Pertini on Monday.

Mr. Spadolini then intends to hold informal talks with labor and industry leaders and with the Bank of Italy before discussing policy later in the week with his probable partners: the Christian Democrats, Socialists, Social Democrats and Liberals.

Mr. Spadolini said he would not choose ministers until after local elections next Sunday. The opposition Communist Party, which welcomed the shift from a Christian Democratic leadership, said it would decide on the form its oppo-



Giovanni Spadolini

sition we propose will depend on the formation of the new government," party leader Enrico Berlinguer said at a rally in Sicily.

Meanwhile, a judicial committee has found that the Masonic lodge Propaganda Due, or P-2, which was at the center of the scandal that brought down the last government, "presented characteristics of a secret society" and thus might be unconstitutional.

The committee issued a statement Saturday advising that because of the complexity of the law, the Parliament should decide whether P-2 came within the constitutional ban on secret societies.

Mr. Spadolini, who has urged the dissolution of P-2, said the committee's findings matched his views. Political sources said Mr. Spadolini's political program would include a draft law clarifying the constitutional ruling and declaring P-2 illegal, as the committee advised.

Last month almost 1,000 prominent Italians were named in a list of alleged members of the Masonic lodge, which, along with its fugitive grand master, Licio Gelli, is being investigated for criminal activities. The scandal has involved government ministers, military leaders and the heads of the secret service.

Mahmoud Fawzi, 81, Dies, Ex-Aide to Nasser, Sadat

CAIRO — Mahmoud Fawzi, 81, a former Egyptian premier, vice president and foreign minister who served both royal and revolutionary governments in a 38-year career, died during treatment for a brain clot.

Mr. Fawzi, who died Friday,

was later assigned to take him to Japan, the United States, France and Ethiopia. He was foreign minister from 1952 until 1964. Mr. Fawzi headed Egypt's permanent delegation at the United Nations in 1945 and won respect from several Western colleagues for his defense of the Arab cause in the 1948 war with Israel.

OBITUARIES

had been in retirement since 1974 when he stepped down as one of Egypt's two vice presidents under President Anwar Sadat. He was Mr. Sadat's premier from 1970 to 1972, taking that job upon the death of Gamal Abdel Nasser, Egypt's first president. He had been Nasser's foreign minister from 1952 to 1964.

Mr. Fawzi's career started in 1923 when he was posted to Rome as a secretary in the Egyptian Embassy.

Hummel Is Named

WASHINGTON — President Reagan has named Arthur W. Hummel Jr., a career foreign service officer, as ambassador to China. If confirmed by the Senate, Mr. Hummel, 61, would succeed Leonard Woodcock.

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U.S. Envoy to China

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Young Dutch Squatters' Cause Admitted Even by Their Detractors

(Continued from Page 1)

come families and luxury businesses moved in, pushing out the former residents.

"Part of the drive behind the squatters is young people's desire to have an environment of their own, not just a room," a sympathetic official said. Recently, squatters have moved in on unused theaters such as the one on the main square of Groningen, a northern university town. Occupied two months ago, it was busy again on a recent night with a concert for El Salvador.

Asked how the housing squeeze could become so acute under the Socialist administration that has governed Amsterdam (and many other localities with similar problems), a Dutch Socialist politician acknowledged that, "although Dutch governments since the war have been intrusive in most aspects of daily life, real estate is an area that has been a political taboo, even for the left."

Now a bill has emerged. In many cases, the Dutch authorities have purchased dwellings that have been successfully occupied and made them municipal housing.

This happened to Amsterdam's most publicized squat, "The Big Kaiser," a row of 16th-century townhouses on the elegant Kaiser's Canal. The white-painted "krook" wedged between a bank and a corporate headquarters, flaunts the squatters' successful defiance of the authorities.

Seized from a Dutch construction company that planned to sell it on a rising real estate market, the Big Kaiser's high-ceilinged rooms, pungent with marijuana and cat litter, are home for about 40 Dutch young people. One building houses runaway children; another is used by patients of leftist psychiatrists who disapprove of asylum care. Most other occupants live in communes. Some have jobs and have started renovating their acquisitions; others live on unemployment payments — and work at organizing the squatter movement.

"As soon as we moved in, we barricaded the windows with iron plates stolen from building sites. We welded them to bars embedded in the walls so the police could not tear them off," Jan recalled. On three occasions, police planned assaults to clear the property, but the Big Kaiser used its own radio to summon thousands of demonstrators to mob the police.

Eventually, the Amsterdam city council bought the Big Kaiser, and now it is negotiating with Jan and his comrades to have them pay token rents.

Similar outcomes are frequent, and squatters claim that their ingenuity, with some official help, produces cheap conversions of spacious old buildings into modern housing for young people.

In its initial months, the squatter movement was good-natured. In the early clashes

in Amsterdam, police used humor as a weapon. On one occasion, a crane hoisted a steel container known as the Trojan Horse onto an occupied building. When the 12 anti-terrorist policemen emerged on the roof, they were led by an officer dressed as Santa Claus.

Combat Disguises

Fighting back, the squatters installed ominous-looking tubes that they described as gas canisters, to intimidate the police. For combat, the squatters disguised themselves with wigs and sunglasses to prevent identification.

The clashes have become bloodier in recent months. Tough special mobile units of police and soldiers have been ordered into the streets. The squatters retaliate with ball bearings fired from powerful slingshots. Some irate landlords have hired gangs to break into their own properties and wreck them — and beat up the squatters — to get them to move out.

As feelings mount, many senior police officers deplore the amount of force being used by the authorities.

On the other hand, squatters have victimized some Dutch people. Families waiting for municipal housing have seen their property taken over before they could move in. Businessmen hesitate to take foreign posts

Group Urges Bonn To Reverse Policy On NATO Missiles

The Associated Press

BONN — A coalition of leading leftist politicians and peace researchers is calling on the West German government to break with the 1979 decision of the Atlantic alliance to install a new generation of nuclear missiles in Western Europe.

In another of a series of attacks against the policies of Chancellor Helmut Schmidt and NATO, the "Gustav Heinemann Initiative" decried the decision as increasing the threat of atomic war.

"Peace is not assured by a balance of power in weaponry," the group said in a statement issued at a press conference Saturday. "No region of the world is more seriously threatened by atomic war than Europe ... This danger is only heightened by the NATO decision of 1979."

The members called for a review of the government's security policies, including studies on declaring Europe "a zone free of atomic weapons."

The group is composed of several dozen leading left-wing Social Democratic politicians as well as researchers from both private and university-funded institutes. It is named after a former West German president who shortly after World War II advocated a unified, disarmed and neutral Germany.

failures of West German foreign policy in recent years."

The group said in its statement that the superpowers have not been able to use "the breathing space offered by detente" to achieve a cutback in nuclear weapons.

Opposition to the NATO decision has been growing recently in West Germany, particularly among the more vocal left wing of the Social Democratic Party, church groups and environmentalists. One such group claims to have collected more than one million signatures opposing deployment of the U.S.-made missiles.

Clark Sees 'Good Will' By Pretoria

By Jack Foisic
Los Angeles Times Service

WINDHOEK, South-West Africa — The South African government has shown "good will and is making a reasonable attempt" to respond to U.S. initiatives for granting independence to South-West Africa (Namibia), according to Deputy Secretary of State William P. Clark.

He said Saturday that the United States would not wait indefinitely for South Africa to end its intransigent attitude over granting freedom to the trust territory if it administered under a League of Nations mandate.

The more cordial U.S.-South African relations initiated by President Reagan might suffer if the government of Prime Minister Pieter W. Botha did not "make a commitment to move the independent process off dead center," Mr. Clark indicated. However, he said his two days of talks with the prime minister and with Foreign Minister R.F. Botha had gone "quite smoothly."

Mr. Clark said on his return from his diplomatic trip to Africa and Europe to Washington he would brief Mr. Reagan and Secretary of State Alexander M. Haig Jr. "with facts and opinions." After that a decision will be announced around the end of June on whether the South African response is sufficient for the U.S. initiative to continue.

Since January South Africa has refused to continue negotiations for a Namibian solution under a UN formula calling for immediate all-race elections. Such elections would probably result in a victory for the guerrilla group known as the South-West Africa People's Organization, headed by its leader-in-exile, Sam Nujoma.

The U.S. proposal calls for writing an independence constitution for Namibia with guarantees for the white and other minorities before holding elections.

R.F. Botha said later Saturday that the Clark visit has made progress in three ways. "Our mutual trust has been further enhanced," he said. Second, the United States has spoken directly with important Namibian political parties to learn their views — "important because of the privileged treatment accorded SWAPO by the United Nations."

Third, the United States is now committed to "certain realities" just as is the South African government. Mr. Botha said without elaboration.

Mr. Clark said SWAPO leaders whose operations are still legally active in Namibia, even though Mr. Nujoma and his guerrillas are fighting South African forces in northern Namibia. Asked if he would be willing to see Mr. Nujoma if such a meeting could be arranged, Mr. Clark replied: "We are quite willing to meet with anyone."

Later Saturday Mr. Clark flew to Salisbury for discussions on Namibia with Prime Minister Robert Mugabe of Zimbabwe.

Bargaining Table

Spokesman Erhard Eppler, a member of the Social Democratic Party's executive committee, said the group's goal was "to bring the United States to the bargaining table."

The NATO decision calls for stationing 572 nuclear missiles in several NATO countries by 1983 while simultaneously conducting arms control talks with the Soviet Union.

But Mr. Eppler said that the Americans appeared more interested in stationing offensive weapons aimed at the Soviet Union in Europe than in protecting Europe against Soviet weaponry.

"It is the interest of the United States to direct a portion of the atomic threat against Europe," Mr. Eppler said. "Placing land-based missiles makes hostages of Germans and Europeans in any conflict between the United States and the Soviet Union."

Placing the NATO missiles in West Germany is "militarily, politically and morally irresponsible," Mr. Eppler said.

Oskar Lafontaine, Social Democratic leader in the Saarland, joined Mr. Eppler in his criticism and called participation in the NATO decision "one of the great-

Free Democrats In West Berlin May Eject Rebels

BERLIN — Members of West Berlin's Free Democratic Party have announced moves in capital city parliament because they helped to elect a conservative government last week.

Although the Berlin chapter of the Free Democrats had decided to go into opposition with their former coalition partners, the Social Democrats, the five deputies voted for Christian Democratic leader Richard von Weizsäcker when the city parliament elected him mayor last Thursday.

The head of an influential women's group in the Free Democrats said Saturday that the group would press for expulsion of the rebel deputies at a local party congress on June 27. The five would remain deputies even if stripped of their party membership.

West Berlin elections on May 10 left the Christian Democrats two seats short of a majority in the 132-member assembly. Mr. von Weizsäcker could not have been elected without the Free Democrats' votes.

The attempt to punish the rebels would continue a dispute in the West Berlin chapter that could have significant echoes in Bonn. Left-wingers in the FDP have accused moderates of trying to engineer an alliance with the Christian Democrats in West Berlin as a first step toward breaking up the coalition with Chancellor Helmut Schmidt's Social Democrats in Bonn.

Ship Burning Off India

NEW DELHI — The crew of the Sanix Ace, which was towed out of India's port of Visakhapatnam into the Bay of Bengal when a fire was discovered, abandoned their vessel but it remained afloat, the United News of India reported Friday.

More Small Units

Responding to the crisis, government officials say they have accelerated and changed their housing plans. "We have failed to keep up with changing social patterns," said a Dutch Housing Ministry official. "We need more small units for students and divorced people, and we need more big units for families that have decided to keep the elderly or the handicapped instead of sending them to institutions."

A new law, the Empty Property Act, has been rushed through the parliament, requiring any dwelling empty for a year to be registered with the municipality, which can assess a rent and assign a tenant. An owner who fails to comply risks having his property requisitioned.

On the other hand, the new law authorizes summary eviction of illegal tenants — a provision foreshadowing a renewed police offensive.

These housing reforms are being closely watched in neighboring European countries, which are anxious to avoid seeing squatter movements of similar strength emerge in their cities.

U.S. Seeking to Guarantee Strategic Mineral Supplies

By Robert D. Hershey Jr.
New York Times Service

WASHINGTON — The Reagan administration, concerned about the nation's heavy dependence on foreign sources for many strategic minerals, is considering a plan under which the government would effect subsidies for the creation of domestic supply sources.

A favored option, according to officials familiar with a yearlong study now being completed by the Defense Department and the National Security Council, would be to have the government assure a market for any private production of vital materials.

"Where we're trying to go," an official said, is to establish "a guaranteed purchase program where you go out into the marketplace and say 'We'll buy all the cobalt you can produce domestically and we'll pay so much for it' if it can't be sold elsewhere. "It might as well never have to buy an ounce," he added, "but if we did save to buy it it would go into the stockpile."

Concern about U.S. vulnerability to the loss of foreign materials is intensified lately with warnings by Secretary of State Alexander M. Haig Jr. and others that the Soviet Union has launched a "resource war" against the United States and its allies.

Creation of a New Industry to Produce Synthetic Fuels

The new study contains detailed analyses of the domestic potential for producing four specific materials, including cobalt and manganese, both of which are imported in large quantities from Zaire. That country precipitated a five-fold price increase for cobalt in 1978.

The United States is believed to have significant quantities of cobalt in Alaska, Idaho, Missouri and California but, according to a Pentagon official, "so far it hasn't been very economic to mine it."

With the government guaranteeing to buy all that is offered, however, it is assumed that industry would be encouraged by the stable market to find and produce cobalt.

The poll, however, indicates widespread support among the public at large for many of the positions advocated by the Moral Majority, and widespread anxiety over sexual permissiveness, homosexuality, abortion, court decisions and the moral drift of the United States, all issues the organization raises.

"I think the morals of the country are going down. Parents aren't teaching their kids enough about morality," said an affluent Dallas housewife. "Kids are getting everything too soon these days."

Among those surveyed, 67 percent disapprove of the U.S. Supreme Court ruling banning the reading of the Lord's Prayer or the Bible in public schools; 64 percent say the sale of pornography should be banned; and 65 percent say sexual permissiveness has been bad for the country. These are all positions held by the Moral Majority.

Strong commitments of moral indignation and conflicts over values run through other items in the poll. For example, three-fourths of those surveyed favor the death penalty for persons convicted of murder; only 20 percent oppose it.

Poll Reveals Recognition Of Moral Majority Grows

By Bill Peterson
and Barry Sussman
Washington Post Service

WASHINGTON — The Moral Majority is growing in public recognition, but half the U.S. public still has never heard of it. The other half is enormously divided over this organization that terms itself the voice of the religious right.

Of those who say they know of it, 43 percent say they disapprove of its positions on most issues, 37 percent say they approve and the rest have no opinion.

Few Americans, however, seem to want the 2-year-old group based in Lynchburg, Va., to gain power. Again dealing with those who know of its existence, only one in five wants the Moral Majority to exert more influence over U.S. life than it does now, and more than half say its influence should be reduced.

These are among the findings of a Washington Post-ABC News poll dealing with the Moral Majority, the group led by the Rev. Jerry Falwell which claims to have registered 2.5 million fundamentalist voters last year. The Post-ABC poll interviewed 1,533 persons by telephone from May 18 to May 20.

Glances of Supporters

The survey provides evidence that the Moral Majority is growing in recognition, because only 40 percent of those responding to a Gallup poll last December said they knew of the group. In addition, the new survey provides a revealing glimpse of the group's staunchest supporters, and the deep-seated national concerns it has capitalized on.

Among those polled, three-fourths of the Moral Majority's strongest supporters voted for Ronald Reagan, and consider themselves conservatives. They are far more religious than the rest of the country, have less formal education and tend to live in suburbs and small towns in the South, Midwest and West. They are more likely, on which the country is now only one-third dependent on foreign sources, these materials are of generally recognized as essential by the general public. Said one defense Department official, "It isn't oil that the Germans ran out of in World War II — it was uranium."

The recommendation that the government establish the capability to produce many strategic materials at home would employ the powers of the president under Title of the Defense Production Act to take or guarantee loans or take other steps to ensure the availability of vital resources.

The preference appears to be for a program of "very minimal" government support, one akin to the merging federal role in assisting

Chromium Deficiency

Planners at the Pentagon and other government agencies note that the supply of such items could be interrupted in situations well out of war and in some cases by the decision of one or two producers in unstable parts of the world.

They also observe that, unlike oil, on which the country is now only one-third dependent on foreign sources, these materials are of generally recognized as essential by the general public. Said one defense Department official, "It isn't oil that the Germans ran out of in World War II — it was uranium."

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Hayden Address In S. Africa Off

JOHANNESBURG — A visit to South Africa by the American political activist Tom Hayden and his wife, the actress Jane Fonda, has been canceled after the government issued the couple visas for entry to the black homeland of Bophuthatane only, the Rand Daily Mail reported.

Mr. Hayden was invited to address students at the University of the Witwatersrand on Monday.

The student groups that invited him said in a statement that a "breakdown in communications" resulted in the couple having the impression that their visas had been awarded "without any conditions attached."

The black homeland policy is considered the pillar of South Africa's system of racial segregation. The students said they advised that the visit be canceled because they regarded the visa decision "as a crude attempt to use them [Mr. Hayden and Miss Fonda] to lend legitimacy to the aberration of separate development."

Abolition Program

The Moral Majority celebrated its second birthday last week by announcing an ambitious program to expand its membership from the current 4 million to 7 million during the next 12 months. It also revealed plans to form a new legal organization, tentatively called "Citizens Legal Defense Fund," as a conservative answer to the American Civil Liberties Union.

Opponents of the Moral Majority say the organization reflects genuine concerns of a great many Americans. "They do have a base. People are concerned with morality in a general sense," says George Cunningham, executive director of Americans for Common Sense, a group set up by former Sen. George McGovern to counter the Moral Majority and other New Right groups.

Mr. Cunningham, however, claims the Moral Majority twists popular support for issues into undesirable ends. He says, for example, that almost everyone is "against smut peddlers," but there is little support for taking dozens of popular books that various Moral Majority groups consider pornographic out of libraries.

Lights Blocked in Italy

ROME — A 24-hour strike by traffic controllers canceled all domestic and international flights Italian and foreign airlines in Italy Sunday. The walkout was led to back up a demand by the controllers that they be changed from military to civilian status, a wish that the government has promised to implement.

International Bond Prices - Week of June 11

Provided by White Weld Securities, London; a Division of Financiere Credit Suisse - First Boston

RECENT ISSUES

Amrt	Security	Yield	Price	Lot	Life	Cur
12/2	Toronto Metropolitan	11.74	127.12	15.30	10.00	10.00
12/2	Alcoa Aluminum	11.74	127.12	15.30	10.00	10.00
12/2	Alcoa Aluminum	11.74	127.12	15.30	10.00	10.00
12/2	Alcoa Aluminum	11.74	127.12	15.30	10.00	10.00
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12/2	Alcoa Aluminum	11.74	127.12	15.30	10.00	10.00
12/2	Alcoa Aluminum	11.74	127.12	15.30	10.00	10.00

STRAIGHT BONDS

All Currencies Except DM

Amrt	Security	Yield	Price	Lot	Life	Cur
12/2	Australia	11.74	127.12	15.30	10.00	10.00
12/2	Australia	11.74	127.12	15.30	10.00	10.00
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12/2	Australia	11.74	127.12	15.30	10.00	10.00

HIGHEST YIELDS to Average Life Below 5 Years

Amrt	Security	Yield	Price	Lot	Life	Cur
12/2	Australia	11.74	127.12	15.30	10.00	10.00
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12/2	Australia	11.74	127.12	15.30	10.00	10.00

HIGHEST CURRENT YIELDS

Amrt	Security	Yield	Price	Lot	Life	Cur
12/2	Australia	11.74	127.12	15.30	10.00	10.00
12/2	Australia	11.74	127.12	15.30	10.00	10.00
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12/2	Australia	11.74	127.12	15.30	10.00	10.00

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12/2	Australia	11.74	127.12	15.30	10.00	10.00
12/2	Australia	11.74	127.12	15.30	10.00	10.00

DM STRAIGHT BONDS

Amrt	Security	Yield	Price	Lot	Life	Cur
12/2	Australia	11.74	127.12	15.30	10.00	10.00
12/2	Australia	11.74	127.12	15.30	10.00	10.00
12/2	Australia	11.74	127.12	15.30	10.00	10.00
12/2	Australia	11.74	127.12	15.30	10.00	10.00
12/2	Australia	11.74	127.12	15.30	10.00	10.00

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SAUDI ARABIA

A SPECIAL SUPPLEMENT



Crown Prince Fahd



King Khaled

A Young Nation Is Thrust Into a Leading Role in International Affairs

By Ken Whittingham

NEXT YEAR will be the 50th anniversary of the founding of the kingdom of Saudi Arabia by Abdelaziz Ibn Saud, who by a mixture of force and diplomacy forged a united state from a vast desert region populated by numerous inimical tribes.

Half a century later, because of its vast reserves of oil, Saudi Arabia is one of the most important and at the same time one of the least understood nations, with a level of political and economic influence that belies its youth. Indeed, many of the ruling family's problems are rooted in the contradiction between the relatively early stage of development, and the demands of an international economic and political role.

For the first 40 years, the rulers had fairly simple relations with other countries. From the beginning, as Western nations competed for dominance of the oil exploration and production business, King Abdelaziz put his faith in the United States, whose companies were offering a better deal than their British counterparts. That close friendship persisted through the heady days of the Arab-nationalist movement as state after state in the Arab

world won its independence from colonialism. Radical intellectuals raged over the relationship, accusing the kingdom's leaders of being reactionary and of failing to see the United States as a major threat to the Arab world because of its support for Israel.

But Saudi Arabia ignored the radicals, maintaining its belief that only the United States could provide the technology required for development, the military assistance required for security and, as oil revenues grew, the capacity to absorb petrodollar investments. Oil Minister Sheikh Ahmed Zaki Yamani continued to try to moderate OPEC price increases, and he continues to do so, making it clear that Saudi Arabia can and will control the oil market in the interests of the world economy.

Active Role

But while the kingdom still sees its economic future tied closely to the fortunes of the Western economy as a whole, events during the last four years have shaken a long-standing faith in the United States as a committed ally, and have at the same time forced Saudi Arabia to adopt a more active role in regional and international affairs.

The most dramatic cause of the reluctant change of policy was the Camp David accord, and the consequent exclusion of Egypt from the Arab ranks. Saudi Arabia had been a firm backer of President Anwar Sadat as he turned Egypt away from Nasser's pro-Soviet policies and dismantled the state-controlled economy. But the question of Jerusalem, the third-holiest place in Islam, is of more than political importance to the ruling family, who carry the title of Guardian of the Holy Places, and support for the Palestinians is both a religious and a political commitment.

There is little doubt that former President Jimmy Carter, and probably President Sadat as well, were surprised when Saudi Arabia failed to back the Camp David initiative. But while Saudi Arabia wants a peaceful settlement in the Middle East, it simply cannot abandon deeply held principles or expose itself to the consequent radical backlash.

The second major shock was the fall of the shah, Mohammed Reza Pahlavi, which not only demonstrated the United States' inability to protect a client regime in the Middle East — even the most powerfully armed regime — but also brought an atmosphere of

crisis and revealed how little Washington understands the Gulf region.

With Egypt temporarily removed from its dominant position, and with Iran in a state of internal chaos and unable to share the burden of defending the Gulf, Saudi Arabia has found itself obliged to fill the vacuum of leadership both in the Gulf and the Arab world, partially because of its religious and financial status and partially to ensure that the leadership role is not taken by Iraq. Saudi relations with Iraq have improved in the last two years, but Iraq's relations with Moscow still raise doubts among conservative Saudi leaders.

The leadership has responded positively to the challenge. Despite health problems, King Khaled, virtually unknown outside the nation when selected by the family to succeed to the throne following the assassination of King Faisal in 1975, has proved to be a shrewd, quiet statesman and a harmonizing force among the princes who run the affairs of state.

A more active and open role has been given to top ministers, with Crown Prince Fahd, Foreign Minister Prince Saud al-Faisal, Defense Minister Prince Sultan bin Abdelaziz

and Interior Minister Prince Saud Naif bin Abdelaziz frequently stating their views to the Arab and world media.

The first element in the new Saudi foreign policy has been to strike a deliberate and open policy of nonalignment with either superpower. "If the role of the superpowers toward our cause is constructive, there will be no obstacle to good relations with them," Prince Saud, the foreign minister, said before the visit of U.S. Secretary of State Alexander M. Haig. But he added: "We deceive ourselves if we consider that our relationship with the great powers [in effect, the United States] was based on friendship."

The prince also confirmed that Saudi Arabia has continuing contact with the Soviet Union, although there is no thought yet of diplomatic relations with the Communist bloc.

Prince Fahd, the most ardent supporter of a pro-Western policy, has also said on a number of occasions that, if the West refused to provide the weapons the kingdom wants, Saudi Arabia would consider buying weapons from the Soviet Union, but he stressed: "Buy-

ing weapons does not mean buying ideology."

This attitude is a key to Saudi Arabia's foreign policy as a whole. Relations with foreign countries are being built on the basis of mutual economic interest, and political alliances grow out of such a framework. With its large development projects and with funds available for investment, Saudi Arabia has something to offer to rich and poor, advanced and underdeveloped countries alike, and is attempting through its economic influence to build circles of friendship on the widest possible basis.

Thus, as Europe has shown itself more understanding of the Arab case in the Middle East crisis, so Saudi Arabia has been more willing to buy arms and technology from those countries, especially France and now West Germany. The nation has been generous with aid for Islamic and Third World countries, seeking to ensure wherever possible that Islamic countries in particular have a chance to develop without coming under the total political control of the superpowers.

But it is naturally in the Gulf first and foremost that one can see the Saudi policy of self-

(Continued on Page 8S)

\$234 Billion Has Been Allocated For Wide-Ranging 5-Year Plan

SAUDI ARABIA has embarked on its third five-year development plan, during which \$234 billion has been allocated for projects ranging from basic infrastructure and social services to the heavy industrial projects on which hopes for the kingdom's economic future are pinned.

The major task of Saudi Arabia's development plans is to improve the standard of living in town and village alike. Special emphasis is now being given to villages in areas of agricultural potential, in an effort to persuade farmers to stay on their land rather than drift into the towns, as agricultural development is vitally important to the future of the Saudi economy.

According to Ghazi al-Ghossabi, industry minister and chairman of Saudi Arabia Basic Industries Corp., more than 80 percent of the second development plan was put into creating infrastructure for industrial projects. During the past five years, 13,000 kilometers of paved roads and 10,000 kilometers of "agricultural" roads have been laid, and electricity has been provided for 1.6 million consumers. In all regions of the kingdom this type of basic development work will continue under the new plan.

The central region's Municipal and Rural Affairs Directorate, for example, has a one-year allocation of about \$90 million, which will be spent on roadworks in towns and villages, water networks, provision of slaughterhouses and other community projects. A similar sum has been awarded to the southern region, where major drainage projects at Khamis Mushayt and Abha have recently been completed. Where possible, development contracts in the regions are being awarded to Saudi companies.

New Hospitals

In the health sector, work is due to begin on 20 new hospitals throughout the kingdom at an overall cost of \$1.5 billion. These projects include a 1,400-bed medical complex in Riyadh, the contract for which is expected to be signed early next year.

Inevitably, however, infrastructure development is a slow process and rarely attracts headlines despite its importance. For the outside world, the main attention focuses on the

kingdom's ambitious projects in the two new industrial cities of Al Jubayl and Yanbu' al Bahr.

Al Jubayl on the Gulf coast and Yanbu' al Bahr on the Red Sea coast became part of the industrial development plan seven years ago following the dramatic rise in oil prices. A decision was made to use at least some of the nation's oil production to supply the domestic need for iron, steel and petrochemicals instead of merely exporting crude oil and then importing such products.

In addition, there was a growing awareness among members of the Organization of Petroleum Exporting Countries of the waste involved in flaring off gas instead of using it as a raw material. By one estimate, gas flared by OPEC producers until recently amounted to the equivalent of 6 billion barrels of oil a day. By the middle of the 1980s, Saudi Arabia hoped to be using its gas instead, as fuel and feedstock in steel and petrochemical complexes.

Last 2 Contracts

In May, the last two contracts for the first phase of the development of Yanbu' and Al Jubayl up to 1985 were signed by Mr. Ghossabi. On May 20 an agreement was signed with Dow Chemicals for the establishment of a joint-venture petrochemicals complex in Al Jubayl. The project, estimated at \$1.3 billion, is considered the most important of the 10 projects being carried out by the Saudi Arabian Basic Industries Corp. in conjunction with international companies. The SABIC-Dow complex, which is scheduled to begin production in mid-1985, will produce ethylene and polyethylene.

The second contract, for a \$1.5-billion petrochemical complex, also in Al Jubayl, was signed with a Japanese consortium headed by the Mitsubishi Group. A joint company under the name "Sharq" (Eastern Petrochemical Co.) has been formed. The complex will work in cooperation with the SABIC-Dow complex, which will be known as the Arabian Petrochemical Co. (Petrokemya).

Sharq is the largest joint venture to be undertaken between Saudi Arabia and Japan. This agreement means that the first phase of SABIC's industrial program is ready for imple-

mentation, and by 1985 the kingdom will be producing petrochemical products, iron and steel, and fertilizers.

The key to these industries is a \$12-billion gas separation and storage system, which is nearing completion ahead of the scheduled date of 1983. A system of 29 separation plants spread around the oil fields will feed two large units, one near Al Jubayl and one more than 1,000 kilometers away at Yanbu' on the west coast. The pipeline to carry gas liquids to the Yanbu' plant is the longest built by the Arabian American Oil Co. since the Tappan 30 years ago. About half of the gas resulting from oil production is intended directly for use as fuel for the heavy industries. The rest will be treated at fractionating plants at Yanbu' and Ju'aymah, where gaseous ethane will be extracted as feedstock for petrochemical plants and the heavier propane, butane and natural gasoline will go to the export market.

When completed, the two industrial zones at Al Jubayl and Yanbu' are expected to have populations of 370,000 and 150,000, respectively, and will encompass seven petrochemical plants, three oil refineries, a steel complex and a fertilizer factory. About \$87 billion will be spent on these and other industrial projects during the current development plan.

The scale of Saudi Arabia's industrial program raises questions over how big the market will be for Gulf exports. Crown Prince Fahd has stressed in interviews with the Arabic press: "We look on the Arab Gulf states as colleagues and members of the same team working to the same purpose. We believe any industrial progress in Saudi Arabia is in the interests of the whole Arab world, and we do not ever expect see industrial competition [as

opposed to cooperation] among the Arab countries."

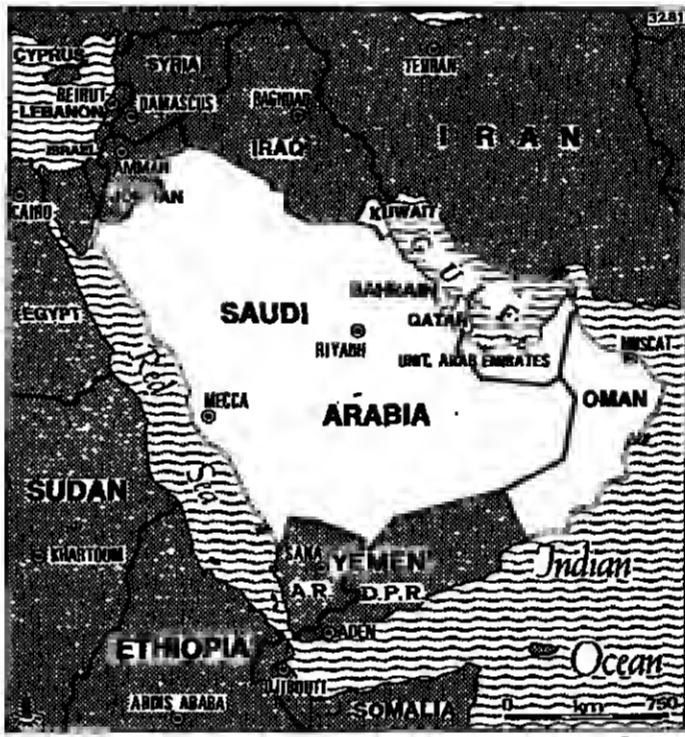
Nevertheless, by the late 1980s Saudi Arabia will be producing more than 5 percent of the world's petrochemical products, with an inevitable impact on the marketplace. Mr. Ghossabi has warned that traditional producers must be prepared to make adjustments.

Other Producers

As for other Gulf producers, Saudi Arabia recently signed an agreement with Qatar — whose petrochemical complex at Umm Sa'id, the first in the Gulf, began operating at the beginning of the year — for cooperation in marketing, training and other aspects of the petrochemical and steel industries, ensuring that Qatar will not be squeezed out of the market by its bigger neighbor.

The Gulf Organization for Industrial Consulting, of which Saudi Arabia is an active member, is also attempting to ensure a complementary rather than competitive approach to industrial development in all the Gulf states, including Iraq.

—KEN WHITTINGHAM



Saudis Are Taking Over More of Their Planning

Special to the IHT

IN THE LAST five years, Saudis have taken over much of the planning and administrative control of Saudi Arabia's future — a major feature in the nation's development.

As long as development depended essentially on outside advice, there was a risk that projects would benefit foreign contractors more than the long-term interests of the people of the region.

An example of the shift toward Saudi management is Ali Abdulrahman al-Khalaf, secretary-general of the Qatar-based Gulf Organization for Industrial Consulting. Mr. al-Khalaf was appointed when the organization was created in 1976, and is soon to hand over the job to Sulaiman al-Mejil, from the King Abdelaziz University for Petroleum and Mineral Studies.

The Gulf Organization for Industrial Consulting was set up by seven Arab Gulf states, including Iraq, to coordinate industrialization plans and avoid the kind of duplication that followed the increase in oil revenues in the mid-1970s. At the time, the concept of industrialization was little understood, the kind of statistical material necessary for coordination hardly existed and the idea of long-term planning was virtually nonexistent.

Team of Professionals

From the beginning, Mr. al-Khalaf had a problem. There was, he said, a tendency for people to think that the mere creation of an organ for cooperation meant that cooperation existed. So his priority was to draw together a team of professionals mostly from the Gulf states and to develop a method of operation to ensure that the organization would at least survive.

The organization is a consultative body with no executive powers, and above all it is not supranational. Mr. al-Khalaf stressed that it was vital to determine the goals of the organization with great care, so that projects would win unanimous acceptance and the organization would not be hurt by political disputes.

The group was intended to identify industrial projects that would benefit the region as a whole but that did not fit within the economic framework of one state. It also sought projects that could best be located in one of the poorer areas, for example, because of available manpower and resources, but that required outside capital and would therefore help that area's development.

Information System

To cope with the need for an information system, which has no precedent in the region except in Iraq, Mr. al-Khalaf and Abdullah Dewachi, an Iraqi data systems expert, created the Industrial Data Bank. In addition to classifying and analyzing information from the vari-



Ali Abdulrahman al-Khalaf

ous states, it draws on major international sources to analyze market and production projections as well as socioeconomic indicators.

One of the most important achievements of the Gulf Organization for Industrial Consulting is that the member states have begun to copy and upgrade their information systems. Saudi Arabia recently announced the establishment of a major statistical research unit, in addition to facilities already created in its universities.

On Feb. 10, 1981, the first major projects of the organization reached the implementation stage when the industry ministers of the seven states signed an agreement for a common project, an aluminum rolling mill in Bahrain. Saudi Arabia already had a 20-percent share in Bahrain's aluminum smelter ALBA, and the states agreed that at least in the first stage of industrialization it made sense to continue to develop this sector in Bahrain.

Mr. al-Khalaf said that he was pleased and surprised at the speed with which the agreement was reached. Since then, he has pushed through an agreement in principle on the location of a float glass plant in Iraq, and discussions are under way on the location of a petrochemical plant. Seven other projects are undergoing further research.

Most of the projects under study involve government financing. Although these ventures are identified by the Gulf organization as economically viable, they are not commercially viable in the sense that they would not produce the quick returns required by private sector investors. But on ventures that are feasible privately, information is made available to interested parties.

Contract Near for Causeway Linking Nation With Bahrain

Special to the IHT

TOWARD THE END of this month the final details and documentation should be ready for contracts to be signed for the construction of the much-discussed causeway linking the eastern province of Saudi Arabia with Bahrain.

The 25-kilometer causeway, which is expected to cost at least \$800 million, will be financed by Saudi Arabia. The contract is expected to be signed in Bahrain by Saudi Finance Minister Muhammad Abul Khail and Bahrain's minister of industry and development, Youssuf Ahmad Shirawi.

Although the winners of the contract have not yet been officially announced, this major project is thought to have gone to a Dutch-led consortium that includes a Saudi company. The scale of the project, which will take up to five years to complete, means that there will also be plenty of work and orders for local manufacturers and contractors.

Subcontracts

It is expected that subcontracts will be divided about evenly between the two sides, although Bahrain will no doubt provide accommodation and service facilities for the expected 5,000 construction workers.

Much of the debate over the causeway has been concerned with the effect of creating a land link between the most conservative state in the region, Saudi Arabia, and the most liberal, Bahrain. But officials on both sides say that there is no desire on the part of Saudi Arabia to impose anything on its smaller neighbor.

On the contrary, the feeling is that trade and industry on both sides of the water will benefit greatly from an expanded market, and in the case of Bahrain, shipment of food imports by land instead of airfreight will help to improve the standard of living by cutting costs.

The causeway is considered both in Saudi Arabia and Bahrain to be one of the most important and historic projects to be undertaken yet in the Gulf, a symbol of the new mood of cooperation governing the area.

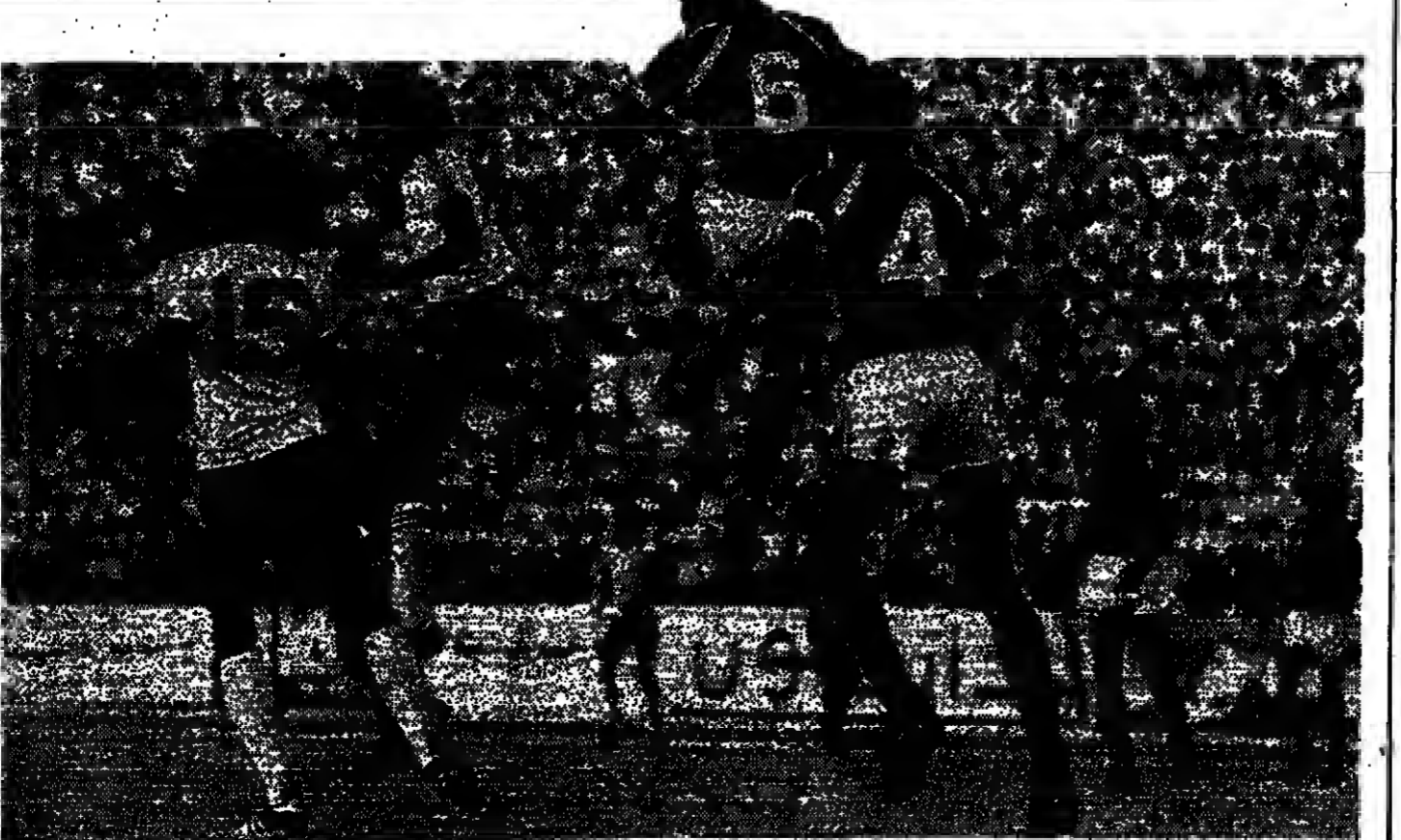
Soccer Bursts Into Bloom as Sports Grow

DESPITE the short history of soccer in the country, young Saudis are as passionate about the sport as their counterparts in any European nation, and just as knowledgeable.

Two months ago, Saudi Arabia's national soccer team won the Asia Group Two qualifying tournament for the World Cup to be held in Madrid next June. The Saudis will compete in the regional qualifying finals against Kuwait, China and another team yet to be decided. Two of the four teams will enter the final stages in Madrid. Should Saudi Arabia reach Madrid, it will be a dream come true.

From the government point of view, the encouragement of sport on a national and international scale is vital for two reasons. First, as the modern way of life replaces the tough survival conditions of desert existence, it is of paramount importance to ensure that young people are physically fit and active. Second, the Arab states as a whole are only too aware of the power of sport in creating good will and friendly relations around the world.

The current success of Saudi Arabia's national side may have surprised the outside world, especially since the regional favorites, the experienced Iraqi team, were defeated on the way. But it was no surprise within the Arab world and the Gulf. Since the Gulf Championship was initiated about 10 years ago, there has been a great spur to development of the sport. Moreover, the success of Iraq and Tunisia in the last World Cup



Saudi Arabian team (dark shirts) in action against Qatar during final match of qualifying tournament in Riyadh in April.

proved that teams from the Middle East can play with pride and confidence at full international level.

Consequently, Saudi Arabia set an ambitious plan to develop the sport throughout the country, calling in one of the best-known names in British football, Jimmy Hill, as a

consultant. The result of the plan was that soccer pitches began to spring up all over the country, and soccer training was introduced in schools.

At the national level, big names in world soccer were brought in to share their experience with the young Saudi players. Tunisia's

Tareq Diab, who impressed sports fans worldwide with his deft midfield skills, was invited to join a Saudi club. Brazilian star Roberto Rivelino was paid an enormous fee by another club so that some of his talent might rub off on its players. And Pele, an

(Continued on Page 8S)

SAUDI ARABIA

Country's Status Increases Within the IMF

By Edmund O'Sullivan
SAUDI ARABIA'S place in the international monetary system received further recognition in a unique deal announced earlier this year by the International Monetary Fund.

The kingdom's IMF quota was doubled by the fund's board of governors, raising it to 2.1 billion special drawing rights (\$2.55 billion) from 1.04 billion SDRs (\$1.26 billion). This dramatic increase follows one of the biggest loan agreements ever recorded. In March, Saudi Arabia agreed to lead up to 4 billion SDRs (\$4.7 billion) to the IMF in each of the next two years, and probably in a third. The kingdom was also given a permanent seat on the IMF executive board.

Political Issues

From Saudi Arabia's point of view, the IMF deals will provide support for its claims to be taken seriously by industrialized countries in both political and economic matters. The kingdom has avoided introducing its political aspirations in negotiations with the IMF — most notably its view about how a comprehensive settlement of the Palestinian issue can be achieved. Nevertheless, Saudi Arabia has previously sought observer status for the Palestine Liberation Organization at IMF and World Bank meetings. This question is likely to arise again in future talks.

Additionally, the deals may boost the further use of the SDR, which was created in 1967 to supplement international liquidity but which has so far failed to play the part in the monetary system that many hoped it would. This development owes something to the IMF's decision earlier in 1981 to simplify the basket of currencies used to value the SDR. It also re-

fects growing dissatisfaction with national currencies as a medium of exchange and store of value because of the chronic instability of foreign exchange markets. Finally, it enhances prospects for oil-pricing in SDRs.

Increased use of the SDR both by supranational agencies and private sector borrowers will please Saudi planners and other members of the Organization of Petroleum Exporting Countries, who have recorded less-than-satisfactory re-

turns on their dollar-denominated investments because of inflation and the U.S. currency's weakness at times on foreign exchanges. The kingdom's attempts to diversify the currency mix of its overseas investments include loans in 1980 to the Japanese and West German governments.

A feature of the Saudi-IMF package is that interest on the loans is closer than ever to market levels. It has been based on the current interest rate in the five cur-

rencies now in the SDR basket, plus a margin of one-sixteenth of a percentage point, giving a total of 11 percent. Even more significant is that the Saudis will be able to convert the IMF loan into bearer bonds, which can be sold in secondary bond markets.

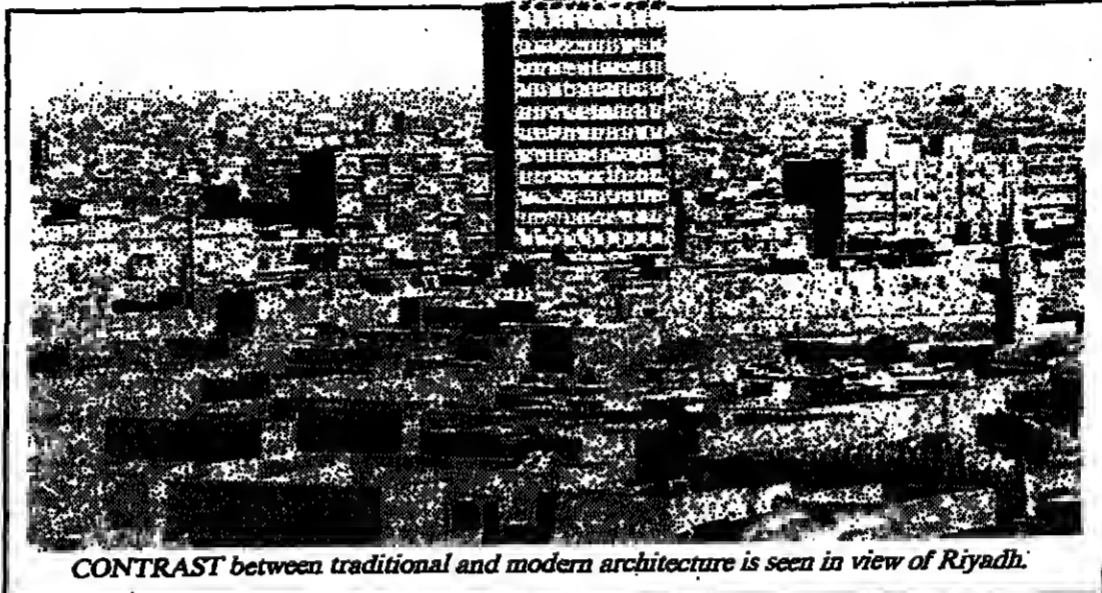
The IMF deal is the latest step in Saudi Arabia's search for a leading place in international monetary systems. It puts the kingdom sixth in the IMF hierarchy in terms of quotas, close behind Ja-

pan, France and West Germany, and ahead of Canada and Italy.

The IMF is now expected to turn to other OPEC member states, who like Saudi Arabia have record oil revenue surpluses. Kuwait and the United Arab Emirates are being approached, together with leading industrial countries who have been asked to provide \$1.2 billion. No other Middle Eastern country will be expected to contribute on the scale that Saudi Arabia has committed itself to, however.

Even so, the annual loans are less than 50 percent of the Saudi government's forecast budget surplus in the present financial year, which started in early May. This is expected to rise to 42 billion riyals (\$12.5 billion) — about 10 percent higher than unofficial estimates of the 1980-1981 surplus. The total assets controlled by the Saudi Arabian Monetary Agency are believed to be at least \$80 billion.

The political ramifications may be the real legacy of the IMF deal. Saudi Arabia is sensitive to complaints that OPEC hurts developing countries most. It is already a major donor to the Third World through a range of Arab-based agencies that have been created since the 1973-1974 oil price increases. The IMF deal is one of the most impressive signs of the kingdom's commitment to global economic stability and the welfare of the less developed world.



CONTRAST between traditional and modern architecture is seen in view of Riyadh.

Nation in a Leading International Role

(Continued from Page 75)

protection through cooperation rather than confrontation. At the recent Gulf Cooperation Council summit meeting, Riyadh was selected as the headquarters for the council's secretariat, and the meeting also affirmed the policy that Saudi leaders have been declaring for some months — that the interests and security of the Gulf can only be defended by the people of the Gulf. The concept of foreign bases and intervention forces was rejected, — a response to the U.S. request to base the Rapid Deployment Force in Saudi Arabia or Oman.

Although Saudi Arabia has the world's largest military budget per capita, it is doubtful whether the Gulf states alone or collectively could in fact repel a sustained military attack. But Saudi Arabia and its neighbors argue that, as long as neither superpower is based in the Gulf, there is no reason for either to attack. The presence of foreign troops not only raises the threat of military action but

also raises dissent among radicals who have been active opponents of Western military presence in the past but are now largely content with the situation.

Gulf Council

The Gulf Cooperation Council is more than a strategic body. Saudi Arabia and the other Gulf states know that stability depends on balanced development throughout the region so that no state is left behind to become a breeding ground for discontent. This idea extends to the Arab world as a whole and is the principle behind the program for an Arab decade of development agreed upon at a summit meeting in Amman last year; it will be financed by the oil states, led by Saudi Arabia.

On the wider international front, Saudi Arabia is seeking to use its financial influence through such bodies as the International Monetary Fund to press for a radical change in the world economic order so that develop-

ing countries who do not have Saudi Arabia's wealth do not find themselves crippled by interest payments on development loans. The Saudis also want the West to make a larger contribution to development because they believe that worldwide development is in the interest of all nations.

Saudi rulers adopt a discreet approach to foreign relations, partially because of a conservative attitude toward the media and partially because they do not like the use of pressure and blackmail.

Saudi Arabia has avoided moving from cooperation to confrontation by using oil to force the West to do what it wants — on the Palestinian issue, for example. Prince Fahd said recently that using pressure of that kind would imply that the Arabs did not have right on their side, but he also said, "Oil is a vital resource for the world, but when people are left to suffer, then any weapon may have to be used, and it is not always necessary to talk first before taking action."

Soccer Making Progress

(Continued from Page 75)

idol of youngsters throughout the Arab world, was invited to run some training sessions.

Mostly, however, it was a question of their hard work, of persuading players of the necessity to train daily to improve their stamina and skills, and of providing the facilities for them in a country where the climate is hardly conducive to the rigors of physical exertion. These facilities have mushroomed — some provided by the state, others by princes who personally finance many of the leading sports clubs in Saudi Arabia. One young prince, Faisal bin Mansour, chairman of the Ittihad club in Jidda, is estimated to have paid about \$10 million to develop the club in the last five years.

Recently, the chairman of the Saudi Youth Welfare Organization, Prince Faisal bin Fahd bin Abdulaziz, signed a contract with an international company to build a \$75-million sports city in the summer resort of Taif. Although not all on the same scale, there are many such projects in most of the major towns as the demand for sports facilities continues to grow.

Swimming

Most international sports are now played in Saudi Arabia at one level or another, with particular emphasis on athletics, and perhaps surprisingly on long-distance swimming. Saudi Arabia used to sponsor an international English Channel relay race, partially with the aim of giving Arab swimmers the chance for high-level competitive experience.

But the main passion is and probably always will be soccer. Local matches, especially for the well-established clubs like Ittihad of Jidda and al-Nasr of Riyadh, draw large crowds for domestic league competitions and knockout cups. Indeed, when Ittihad fell in this year's league from first to sixth place, it created a nationwide enquiry and speculation of the kind one expects when minor teams like Liverpool or Ajax fail to appear at the top in their respective countries.

—KEN WHITTINGHAM

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SAUDI ARABIA

Pressure Mounting for Revival of the Hejaz Railroad

IN THE YEAR 1900, the caliph of the declining Ottoman Empire, Sultan Abdul Hamid II of Constantinople, ordered a railroad to be built to carry pilgrims from the north of the Islamic world to the holy places of Mecca and Medina.

Built by forced labor under Western engineers, the 1,500-mile desert track took eight years to complete. In 1908, the first train left Turkey for Arabia.

The long, difficult route passing through waterless desert made the

A rapid-transit line from Damascus and Amman to the Gulf ports would cut costs.

great Hejaz railroad one of the wonders of the new age of engineering, but its history was short, as moviegoers know well. Those scenes in David Lean's "Lawrence of Arabia," where Lawrence leads the Arab forces to attack Turkish troop trains and blow up the track, were based on fact.

T.E. Lawrence ordered the Arab troops under King Hussein of the Hejaz to destroy the railroad to prevent a Turkish advance in 1916. Virtually the whole length of the

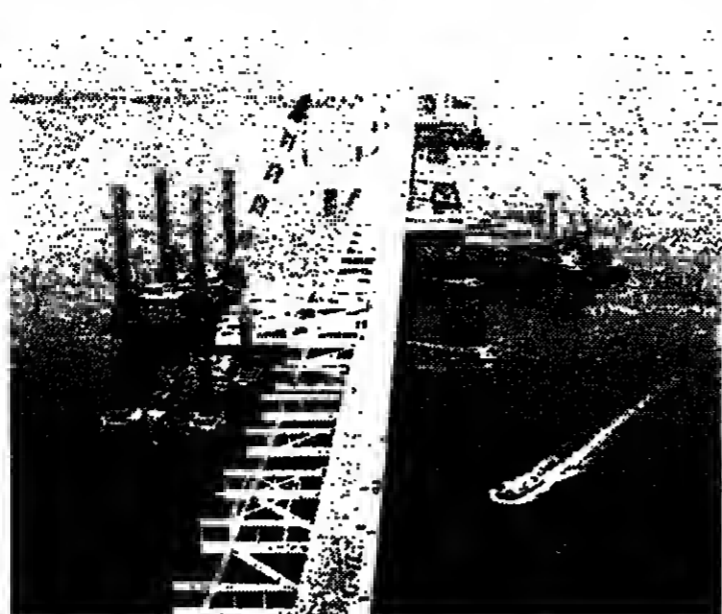
line between Maan in southern Jordan and Medina deep in the Hejaz was put out of commission.

Since 1916, there have been numerous plans to revive the railroad with both King Abdelaziz Ibn Saud, the founder of the kingdom, and his successor, King Saud, providing money for studies to be made on reopening the railroad. By 1956, plans had been established but no work was carried out.

Earlier this year the Hejaz railroad project was again raised in discussions among Jordan, Syria and Saudi Arabia. But despite the enthusiasm of Saudi Communications Minister Sheikh Hussein Ibrahim al-Mansouri, who sees the railroad as an excellent long-term proposition, no decision was made and the matter was once again deferred.

Originally, the idea was to provide access to the holy places of Islam for pilgrims, who otherwise faced a long and dangerous journey through the desert to Mecca. But these days the railroad has more far-reaching implications.

Fleet after fleet of trucks and landtrains pass daily from Syria through Jordan to Saudi Arabia and the Gulf beyond, carrying fruit and foodstuffs, but also much-needed electronics and mechanical equipment that cannot be consigned to relatively slow sea routes.



Part of Open Sea Tanker Terminal at the Al Jubayl industrial harbor. Jubayl population may hit 300,000 by end of decade.

If a railroad line allowing rapid transport (not the existing 105-gauge line on which trains take up to 10 hours to pass between Amman and Damascus instead of three by road) crossed from Damascus and Amman to the ports of the Gulf, then the cost of carrying goods to far-flung markets would be greatly reduced.

This was the route used by the camel trains in pre-industrial days, and makes commercial sense now as it did then.

Mineral Deposits

Moreover, the exploitation of large mineral deposits in southern Jordan and northern Saudi Arabia would require efficient transship-

ment systems to give access for export materials to Red Sea or Gulf ports. And the original reason for constructing the railroad, the pilgrimage, is even more valid now than it was 60 years ago.

This year the number of pilgrims is expected to reach 1.5 million and is increasing every year. Already the authorities in Saudi Arabia have had to discourage private cars from making the journey, and even with the new King Khaled airport in Jidda, there is a limit to the number of air travelers who can be processed in a matter of two or three days, and a train would simply be cheaper for many poor Moslems from the northern areas.

It seems likely, therefore, that the railroad will be rebuilt, especially since Saudi Arabia is embarking on its own network of railroads, which would eventually connect with the great Hejaz track.

The first contract to upgrade an old single-track railroad between Riyadh and Dammam has been awarded to the Greek company Archirodon. This first section will double the track from Dammam to Hofuf, a distance of 145 kilometers. The next phase will see a new track laid from Hofuf to Riyadh, cutting the travel time for the total Dammam-Riyadh journey to four hours. The project linking the capital with the Gulf coast will cost

around \$300 million and take three years to complete.

The link between Riyadh and the Gulf coast is becoming vital, both for connections with the port at Dammam, where a \$151-million dry-dock repair yard is under construction, and for passenger traffic, since the huge industrial complex at Al Jubayl is expected to have a population of some 300,000 by the end of the decade.

The Riyadh freight terminal is operated by Kanoo Terminal Services, a joint venture of the well-known Kanoo organization and the Nedlloyd group of Rotterdam. Management expertise will be supplied by the Dutch group, which will also have responsibility for training Saudi nationals.

Riyadh, with its 550,000-square-meter terminal, thus becomes the first inland bonded unit in Saudi Arabia.

The success of this venture will undoubtedly determine the future of a continuation of the railroad line across Saudi Arabia to the Red Sea and the Yanbu' industrial complex and then up to Amman and Damascus.

If the connection is made and the great Hejaz railroad is restored to activity, there could be a real boom in commercial and tourist traffic all over the Middle East, with the monopoly of the airline companies broken at last.

—KEN WHITTINGHAM

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Light-Industry Projects Are Encouraged to Help Cut Imports

SEVENTEEN YEARS ago a Saudi businessman from Riyadh, Sheikh Nasser al-Hamid, thought there might be a future in making metal furnishings. Now he has a flourishing factory turning out air conditioners, water coolers, metal storage cupboards and other products.

Sheikh Nasser — known as the father of Saudi industrialists — and other pioneers, who have worked at changing the domestic economy of Saudi Arabia from trade to production, could take pride when, earlier this year in Riyadh, Jidda and Dammam, week-long exhibitions of local industry were held to show Saudi citizens and the rest of the world that there is more to the kingdom than sand and oil.

There are now more than 1,000 manufacturing companies operating in Saudi Arabia, some purely local, others in partnership with foreign companies. At least 600

sprang up during the last five-year development plan.

Opening the industrial exhibitions, Crown Prince Fahd said that the industrial zones established throughout the kingdom cover more than 14 million square meters, and that the capital investment of private sector industry stands at more than \$8 billion.

Financial Aid

The aim of the light-industry expansion program, said Prince Fahd, is to persuade the private sector to enter into as many areas of manufacture as possible, to reduce the heavy burden of imports. "I do not speak of self-sufficiency," he said, "for self-sufficiency is simply not a realistic target in this age, but we aim as far as possible to replace industrial imports by local products."

The main impetus for persuading Saudi businessmen to enter industry is provided by the Saudi In-

dustrial Development Fund, set up seven years ago to give financial and technical aid to new ventures. SIDF is vital to domestic industrial development, as it not only aids small businesses but is responsible for financing major electricity projects that aim at giving the entire kingdom sufficient power by the end of the century.

Since its inception SIDF has disbursed more than \$2 billion to 577 industrial projects. Loans are given up to a maximum of 50 percent of a project's capital and are repayable over five years at no interest, though a 2-percent service fee is levied.

The fact that a project is financed by SIDF usually means that banks are willing to offer substantial loans. Since SIDF carries out a careful assessment of the feasibility of any new project and offers technical advice and assistance in the early stages, SIDF has rarely been disappointed by its clients so

far, and repayments have, on the whole, been on time.

Many would-be industrialists now approach SIDF before beginning planning, and thus the fund's advisers are able to play an important role in directing industry toward the nation's requirements. In the past few years there has been a heavy concentration on construction materials, since during the second five-year plan work was begun on more than 100,000 housing units and 60,000 municipal buildings.

Import Competition

But as the boom in building recedes slightly there is also considerable emphasis on domestic products and processed foods. It comes as a surprise to some supermarket shoppers how many of the products they buy now carry Saudi manufacturers' labels.

As the manufacturing sector grows, so does the problem of

competition with the imports that have previously flooded the market. Here government policy is straightforward: Where domestic industry is capable of supplying 50 percent or more of demand for a given range of products, a tariff may be applied. Where local industry cannot supply demand, the interests of the consumer take priority and no protection is applied. Since a goal of the light industrialization program is to reduce, not increase, inflation.

Some experts estimate that in the building sector alone, the availability of local products has reduced housing costs by as much as 10 percent in the past five years — with a consequent reduction in the cost of living index — and similar results are hoped for in the domestic goods and foodstuffs areas over the next two or three years.

The growth of manufacturing also has important social implications. The state's heavy industries, mostly capital-intensive, oil-related

ventures, do not require much in the way of semi-skilled labor. Thus, although there is a chronic shortage of labor in construction and agriculture, there are few opportunities for coming generations of high school graduates, and the government has long complained that foreign managements have ignored the need to train Saudis. Local industries, mostly on the small side in terms of manpower, provide an excellent training ground.

Moreover, industrialization is slowly but surely changing the mentality of the business community in Saudi Arabia — as elsewhere in the Gulf — from trade to manufacture and from foreign to local investment. Under the latest five-year plan, provision is made for the establishment and nationwide expansion of a Saudi stock exchange, following Kuwait's example. This, it is hoped, will help keep private investment capital working within the country.

—KEN WHITTINGHAM

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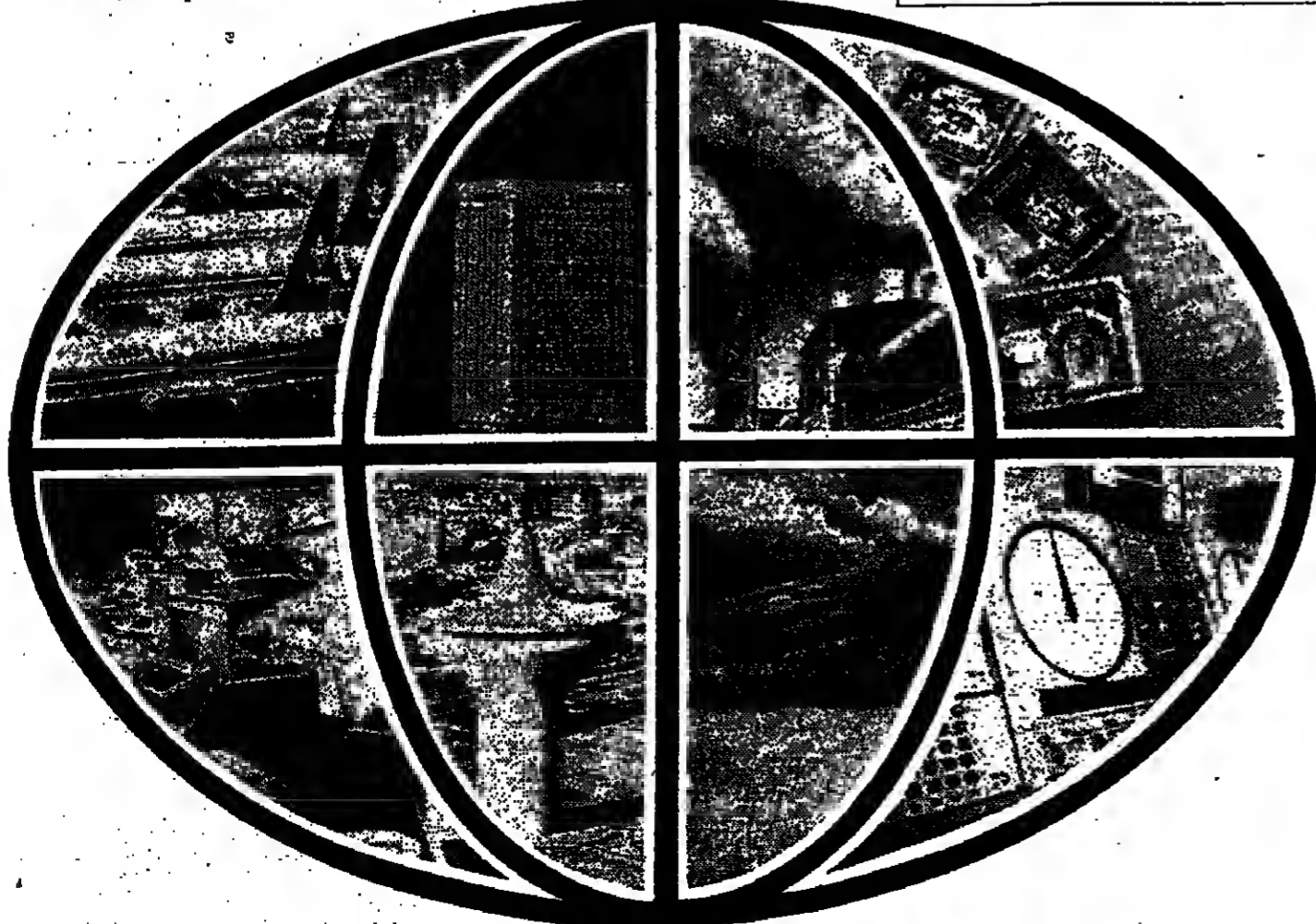
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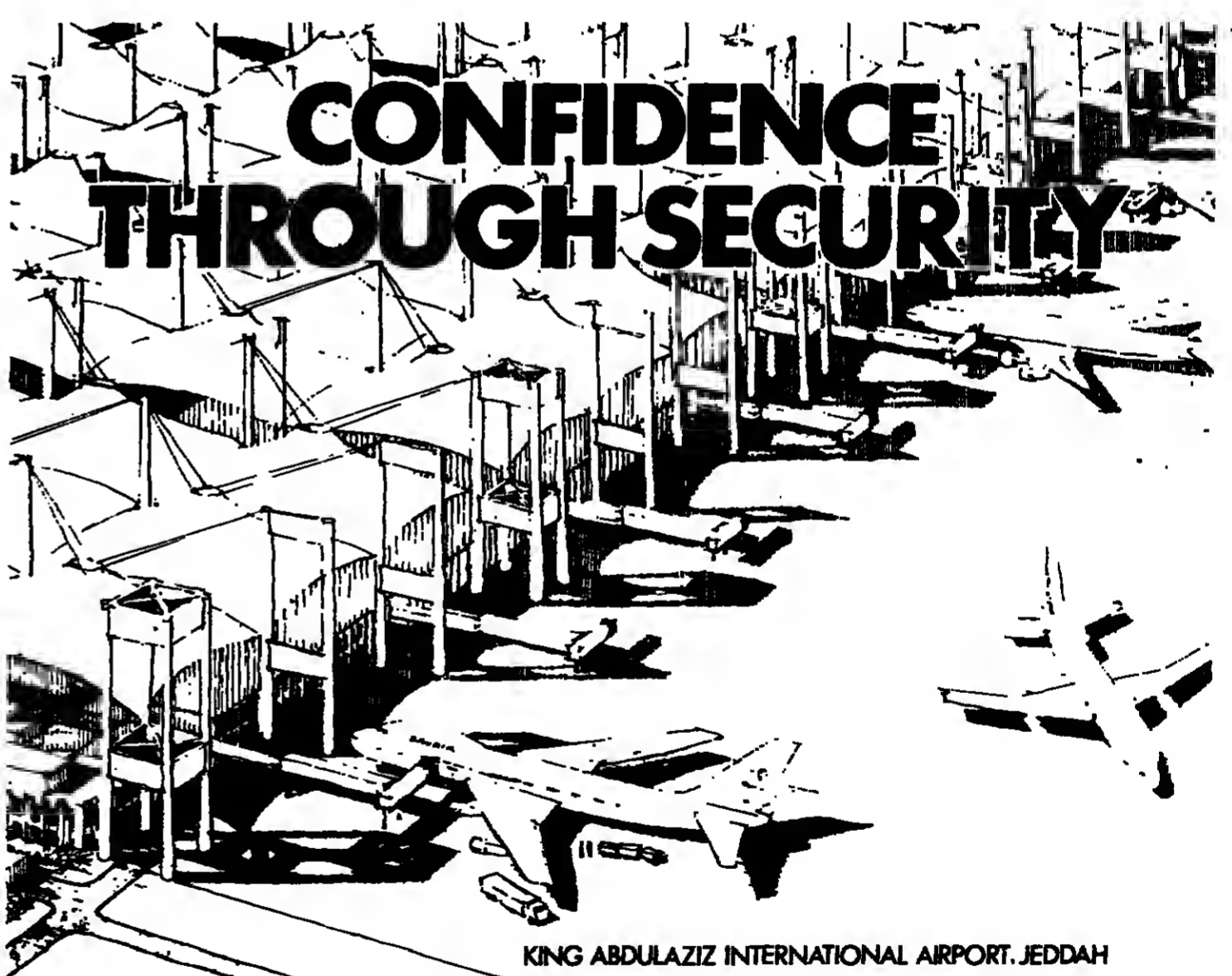
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FROM MOROCCO to Indonesia, Islam is stirring. After almost 400 years of being buried under colonialism, Islam is again becoming a force in the world, and in many ways the heart of the renaissance is in Saudi Arabia.

The movement is a renaissance — not a revolution, as it has been described in the West since the shah of Iran was overthrown. Despite the publicity given to events in Iran, the main force of the resurgence of Islam is not, as 19th-century historians might have described it, a movement for "Islam or the sword." It is, rather, a question of almost one-third of the world's nations regaining confidence in their religious principles and social code.

The movement can basically be attributed to the fact that Islamic nations possess more than 60 percent of the world's oil reserves, and consequently, with the rising price of oil they have, despite their underdeveloped state, gained a position of influence in the world economy. Saudi Arabia's role as the world's largest oil-exporting country is crucial to the movement.

Quite apart from its financial power, Saudi Arabia is the birthplace of Islam and the location of its holiest places. Every year, Moslems from all over the world gather in Mecca for the pilgrimage, a duty at least once in a lifetime for every Moslem who is able to attend.

Feast of Sacrifice

This year the pilgrimage, which takes place during Id al-Adha, the feast of sacrifice, will be in August, and more than 1.5 million Moslems are expected to attend. This vast annual influx is one reason for the construction of the King Abdulaziz Airport in Jidda. The airport, which cost \$5 billion, includes a special terminal for pilgrims that can handle up to 20 fully loaded jumbo jets at once.

This year the pilgrimage, which takes place during the feast of sacrifice, will be in August, and 1.5 million Moslems are expected to attend.

Sheikh Ahmed Zaki Yamani, Saudi Arabia's oil minister, told a conference in Geneva recently: "Moslems must speak out and explain the true principles of Islam in order to allay those fears and eradicate all traces of hatred." But he also said that Moslems should shed their bitterness toward the West, and he called for efforts to increase understanding between Moslems and Christians.

Economic Influence

Islam has an important economic component, and this is where the full force of the Islamic renaissance is being seen. As the Islamic nations have shown a willingness to come together as a world grouping, so have Saudi Arabia and neighboring oil producers been willing to help finance the development of the Islamic world from Morocco to Indonesia. A special fund based in Jidda, the Islamic Development Bank, plays a major role in providing funds, and Saudi Arabia also provides large sums through bilateral agreements.

Islamic principles are also entering the banking world. In several Arab countries there are new banks operating on Islamic principles, which means that there is no interest on deposits or loans, only profit-sharing in investment. A Saudi prince, Mohammed al-Faisal, is chairman of the Shari'ah-based Islamic Investment Co., which in the three years since it was formed has attracted about 10,000 investors and more than \$70 million of capital.

At a recent meeting of the board of directors of Islamic Investment in Geneva, steps were taken for the establishment of a 49-nation Dar al-Mal al-Islami (Islamic Finance House) with an initial capital of \$1 billion to allow the entire Islamic world to benefit from its own economic rules.

The advantage of the Islamic investment system with its ban on interest is that a project in a developing country has a chance to sur-

vive and become profitable without being burdened with escalating interest repayments, which in many cases have kept developing countries in a permanent state of bankruptcy. The Islamic Investment Co. enters into financial partnership with a company or individual. If the private investor fails to make the scheme work, the most he loses is his stake; the IIC then moves in its own management. If the project succeeds, the private investor can buy out the IIC's stake over five years.

The resurgence of Islam has also engendered a new spirit of research and enquiry, as Moslems try to rediscover their history.

During Europe's Middle Ages, great works of scholarship were written in the Islamic world that have influenced later scientific development in many fields. For more modern history, a department in King Abdulaziz University in Riyadh is preparing studies on Moslem minorities around the world and has begun to publish an academic journal to publicize its findings.

Marriage Pays

Special to the IHT

LIKE ALL of the Gulf states, Saudi Arabia suffers from a shortage of national manpower, and in fact it is generally underpopulated with a population density of only about 9.01 per square mile. Many of the nation's development plans depend on a steady population growth.

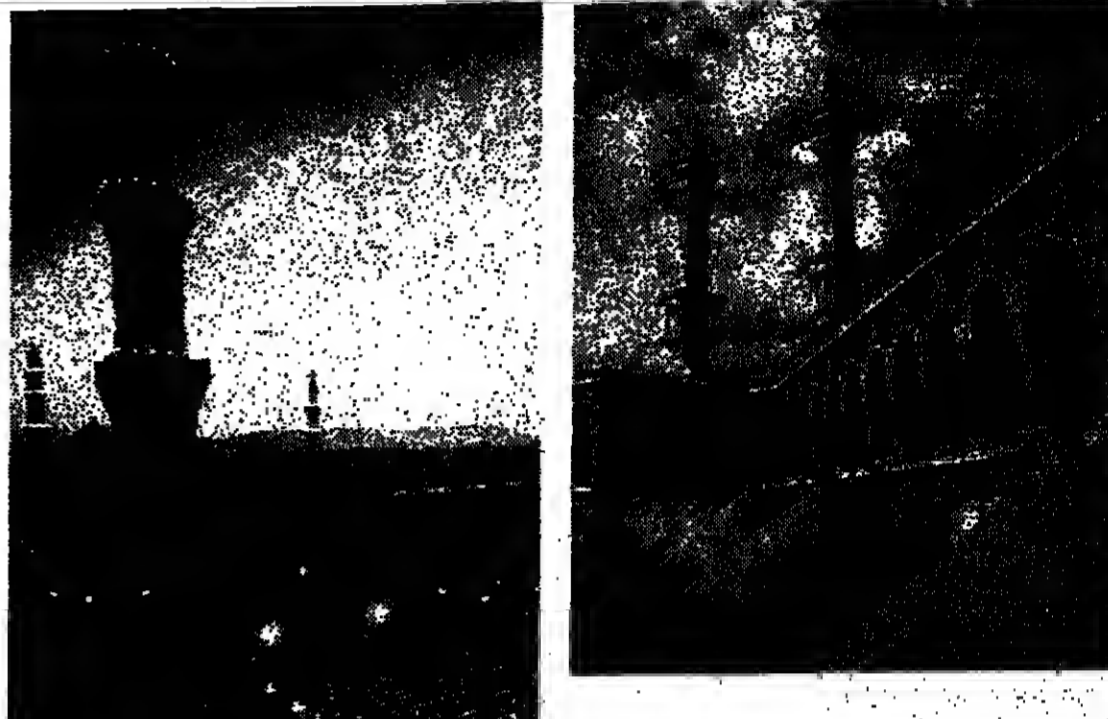
Yet young Saudi men are showing a reluctance to get married because inflation has affected the level of dowries. The dowry is a vital part of the Islamic marriage system, guaranteeing the bride a measure of financial security in the case of divorce — which is especially important since under Moslem law a man can divorce his wife with relative ease.

Several of the Gulf states have sought to persuade young men to get married and start families. Qatar and Iraq have created systems of loans and grants to young men facing financial hardship, while Oman has set an \$1,800 limit on dowries.

Last month, Saudi Arabia also announced new measures. Poor Saudis, provided they can prove that they adhere to the practices of Islam, will be eligible for grants of up to \$7,000 when they marry. The funds, donated by King Khaled, members of the ruling family and an anonymous donor — who gave \$300,000 — will be disbursed only to those unable to raise sufficient funds on their own.

It is hoped that this initiative will encourage marriages between Saudis and thus increase a population that is in danger of becoming a minority in its own land.

Another recent ruling by the religious authorities declares the right of a bridegroom to see his bride unveiled at least once before the marriage takes place.



THE HOLY PLACES

At left, Moslems gather to pray in the Prophet's Mosque of Medina. Above, two of the seven minarets of Holy Mosque of Mecca.

البنك الأهلي التجاري

THE NATIONAL COMMERCIAL BANK

PARTNERSHIP COMPANY—C.R.1588

General Management: P.O. Box 3555, Jeddah, Telephone: 6448393/6445351/6443404 Telex: 401102. Cables: BANKSAUDI

BALANCE SHEET AS AT 30th. DHUL-HIJJAH 1400 (8th. NOVEMBER 1980)

1399 S.R.	PROPERTY & ASSETS	S.R.	S.R.	1399 S.R.	CAPITAL & LIABILITIES	S.R.	S.R.
1,135,843,818	CASH FUNDS	2,380,288,728		30,225,130	CAPITAL RESERVES	30,225,130	
8,087,347,401	1 Cash in hand			22,774,867	Statutory Reserve	1,437,000,000	
2,728,192,392	2 Statutory deposits with Saudi Arabian Monetary Agency	2,889,869,816		46,085,605	Other Reserve Reserves	46,085,605	
77,083,082	3 Other deposits with Saudi Arabian Monetary Agency	2,506,288,402	7,848,548,947	31,877,141	Surplus on revaluation of properties	31,877,141	
77,083,082	DEPOSITS WITH BANKS	43,101,218		1,971,972,460	Surplus on revaluation of investments	1,971,972,460	
77,083,082	1 In Saudi Arabia	8,887,792,275	8,010,833,491		Total Capital and Reserves	1,971,972,460	1,971,972,460
77,083,082	2 Abroad						
227,185,231	INVESTMENTS:	229,059,880		18,488,531,608	DEPOSITS	21,785,287,480	
602,688,926	(Not exceeding lowest of cost or market value)	628,402,271		400,828,560	1 Customer deposits	2,064,908,345	
602,688,926	Shares and securities of establishments—			3,213,732,508	(None: Current, term and saving deposits)		
602,688,926	a) In Saudi Arabia				2 Deposits from Banks a) In Saudi Arabia		
602,688,926	b) Abroad				b) Abroad		
602,688,926	2 Other investments				3 Sundry Deposits: (None: include margins for factors of credit, guarantees, drafts and other transfers)	1,867,293,688	
602,688,926							
2,884,743,070	LOANS, ADVANCES ... etc	10,846,789,746		5,190,265	BORROWINGS		
150,786,475	1 To:	472,142,747			1 From Banks		
629,260,845	a) Private sector	588,488,887			a) In Saudi Arabia		
292,289,414	b) Banks	238,245,785	12,246,815,895		b) Abroad		
6,707,888,824	2 From Others				2 From Others		
	FIXED ASSETS	444,217,488					
	1 Bank premises and other real estate (at cost or revaluation)	55,557,387	469,874,816				
	2 Furniture, fixtures and equipment (less depreciation)						
	OTHER ASSETS	124,048,418					
	1 Customers' liabilities for outstanding acceptances	541,489,228					
	2 Other assets	417,443,840					
	Sub-Total	31,200,094,028					
	CONTRA ACCOUNTS	15,478,978,229					
	Customers' liabilities under guarantees, letters of credit and other obligations	48,297,372,287					
	Grand-Total	48,297,372,287					

AUDITORS REPORT SALEM AHMED BIN MAHMOUD GENERAL MANAGER

We have examined the above Balance Sheet and the annual Profit and Loss Account with the books and documents relating thereto of the Head Office and Branches of The National Commercial Bank (Partnership Company) visited by us, and with the returns submitted by the Managers of the other Branches, and certify to be in accordance therewith.

In our opinion, the Balance Sheet and Profit and Loss Account represent fairly the financial position of The National Commercial Bank as at 30th. Dhul-Hijjah 1400 (8th. November 1980) and the profit of the year ended on that date in accordance with generally accepted accounting principles and as shown by the books.

JEDDAH: 27th. Haid. Al-Thani 1401 (8th. March 1981) ISBA EL AVOUTY & CO., CMA ACCOUNTANTS & AUDITORS ISMAIL A. EL HARBASH & CO. ACCOUNTANTS

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON 30th. DHUL-HIJJAH 1400 (8th. NOVEMBER 1980)

1399 S.R.	EXPENSES	S.R.	S.R.	1399 S.R.	INCOME	S.R.	S.R.
185,338,285	EXPENSES	278,628,781			INCOME		
361,715,417	Salaries and other staff expenses			1,144,628,688	Net income from foreign exchange transactions and other services	2,046,208,801	
	Directors Fees, Remuneration ... etc	1,157,264,628		26,800,870	Net income from investments and real estate	26,810,000	
	Service charges				Profit on sale of real estate		
	Provision for depreciation ... etc				TOTAL INCOME		2,073,018,801
	a) Depreciation on building, furniture ... etc	12,467,884	62,483,886				
	b) Other provisions	62,000,000	66,703,142				
	Other expenses						
	Donation for AFGHANISTAN MOJAHEDIN						
	NET PROFIT FOR THE YEAR		477,818,972				
	Of which:						
	a) Transfer to Reserve	400,000,000					
	b) Balance carried to Balance Sheet	77,818,972					
	Grand-Total	2,073,018,801					

A massive transfer of technology

The Kingdom of Saudi Arabia, during the past three years, has expanded and improved its nationwide telecommunications network at a pace more rapid than that of any other country.

This remarkable growth and modernization is clearly evident in the quality and scope of telephone service. Contrasted with the situation in the recent past...

The Kingdom now has more than 441,000 telephones in service; transmission quality is excellent;

Seventy per cent of the 1.25 million international calls per month are dialed by telephone users themselves to 94 countries; operators can dial to an additional six nations, and virtually any telephone in the world is accessible to Saudi Arabia;

The telephone system will soon be all-electronic; Directory Assistance service is prompt and courteous; Administrative functions, aided by computer technology, have been streamlined;

Many communities formerly without telephones now have service.

The entire Saudi Telephony organization, under the guidance of His Excellency The Minister of Post, Telephones and Telegraphs, functions as a co-ordinated, integrated system.

Bell Canada, with its "systems approach" to management, is proud of its contribution to the rapid transformation of Saudi Telephony. In 1978 the company signed a contract with the Ministry of PTT to organize, operate and maintain the telephone system and to train Saudi nationals to manage it.

The company has more than 800 managers, most of them in Saudi Arabia, working full-time to fulfill that mission. It has introduced standard practices and a common management philosophy, which has produced an integrated telephony organization, staffed 62 per cent by Saudi nationals and 38 per cent by people of many nations. Saudis represent 72 per cent of the management team.

Bell Canada has provided more than half a million man-hours of instruction in schools established in Saudi Arabia, and has developed

and implemented more than 100 different technical, administrative and managerial courses. In addition, hundreds of Saudi Telephony personnel receive training in Canada. This year, 780 man-weeks of training of Saudis in Canada is scheduled.

This training is aimed at preparing Saudis to assume the complete management of one of the world's most advanced telephone systems — a massive transfer of technology. The system, still growing rapidly, is essential to achieving the Kingdom's social and economic objectives.

Bell Canada, through its subsidiary, Bell Canada International, and directly, has been involved in telecommunications projects in more than 40 developed and developing countries around the world. It provides management research and consulting and undertakes turnkey projects. It offers a wide range of training facilities in all aspects of telecommunications, including state-of-the-art digital technology.

Bell Canada

SAUDI ARABIA

Cutting Back the Food-Import Bill

IT IS ESTIMATED that Saudi Arabia imports about 90 percent of its food requirements, and the government expects to spend just under \$1 billion on subsidies this year to stabilize the cost of basic foodstuffs.

Not surprisingly, the third five-year development plan is beginning to turn attention to the rural areas and the water resources needed to expand cultivated land from the present 600,000 hectares to the potential 2 million hectares.

At a recent conference in Dubai, the secretary-general of the Union of Arab Food Industries, Fahad Said Jaber, warned the states of the Gulf and the Arabian Peninsula that they should take urgent measures to reduce their dependence on imported foodstuffs. He pointed out that only about 10 percent of cultivatable land in the region was being used, and that crop yields per hectare for wheat, for example, were less than half of that in developed countries.

During the next five years, \$2.4 billion will be spent to increase food production. Of the \$12 billion to be spent on the development of water resources, a considerable proportion will be of direct benefit to the agricultural sector.

At present, Saudi Arabia is one of the few states in the region to grow both wheat and rice, and, according to statistics produced at the recent conference on food strategy in the region, the kingdom covers 46 percent of its needs for meat.

In the past, livestock and dates provided the basic means of survival but, since oil production began, the Bedouin population has decreased dramatically as people left the rural areas to find more amenable and better-paid work in the towns. Grazing land has declined in quality, and little has been done until now to improve the social conditions in the more remote areas.

Beef Production
Mutton is the most popular meat and the kingdom exports



An irrigation canal in Unaiza. Water supply is a priority.



Inspectors visit a farm in southern Saudi Arabia.

about 2 million sheep a year, but under the development plan efforts will be made to boost beef production. A dairy farm at al-Kharj will have 18,000 head of cattle by the end of the year to provide both beef and dairy products. By the end of the five-year plan

in 1985, the kingdom will have 28 dairy farms. Efforts to double the production of poultry farms should mean that 50 percent of demand for eggs and chickens will be met.

The main effort will go into wheat and vegetables. Between 1975 and 1980, wheat production increased by 42 percent, and during the next five years the area of land for wheat cultivation will be increased to 60,000 hectares. Experiments are being made at a number of research stations to find the best varieties of seed for local conditions, and training programs are provided for farmers to use seed and fertilizers effectively.

About 3,500 young Saudis are expected to be trained in agricultural methods in the next five years. Also, following recent discussions with Australia, it is possible that some students will be sent

to that country, which has considerable experience in desert conditions similar to those of Saudi Arabia.

Agricultural development has figured prominently in talks with a number of countries. Finland is to cooperate in the development of forests, fisheries and farmland according to an agreement signed in March. French companies may contribute to farm development and water desalination projects. Denmark is involved in the dairy industry through the Danish Saudi Dairy, one of 46 food manufacturers in the kingdom financed by the Saudi Industrial Development Fund.

Political Risk

However great the efforts of the next five years, it seems unlikely that Saudi Arabia will become self-sufficient in wheat within the next 10 years as its experts are claiming, but it may go a long way toward reducing imports. The Saudis have noted, as have others in the region, that dependence on the outside world for food carries an enormous political risk as well as an economic one, as demonstrated by the U.S. sanctions against Iran after the taking of the hostages.

This in part explains why Saudi Arabia has been generous in aid to North Yemen. An extensive assistance program, which has been running for years, was boosted about two months ago when Saudi Arabia announced an additional \$100-million contribution to North Yemen's 1981 budget.

Saudi Arabia has also agreed to help finance the drilling of 50 artesian wells and a comprehensive study of rural development needs. It is also a major contributor to the special fund set up by the Arab League heads of state for the decade of development. One of the main targets of the program is to increase food production in potentially highly cultivatable areas like Sudan, the Yemens, Syria and Jordan.

Meanwhile, in Saudi Arabia itself, a National Water Plan has been created to coordinate the work of various authorities. While more desalination plants will be established and projects for recycling wastewater installed, one of the major hopes for agriculture is the discovery of major underground reservoirs in the central and eastern regions, estimated to be sufficient to irrigate 250,000 hectares for the next century.

Meeting the agricultural requirement of nearly 2 billion cubic meters of water a year will not be easy, but if food production is to increase the water simply must be supplied.

—KEN WHITTINGHAM

KEN WHITTINGHAM, who coordinated this survey and wrote most of the articles for it, is a British journalist who has long specialized in the Middle East, both as a writer and an editor.

Mr. Whittingham, who will be coordinating the IHT's upcoming surveys on other Gulf nations, is a former deputy editor of Arab Month magazine, and a former news editor of the Gulf Times in Qatar. He continues to contribute as a free-lancer to numerous publications on Middle East affairs.

His university studies focused on the Middle East, and he is fluent in Arabic — he has translated five Egyptian plays as well as official Arab documents.

EDMUND O'SULLIVAN is a senior staff writer with the London weekly Middle East Economic Digest.

Who are Wardley Middle East?

Wardley Middle East are a merchant bank wholly owned by The Hongkong Bank Group, one of the world's major international banking organisations, with assets of US\$47 billion. Wardley's own special asset is the backing of a century of experience of finance in the Middle East.

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From Dubai, Wardley are ideally placed to cover a wide Middle Eastern area and many customer requirements. The State of Dubai, historical trading centre of the United Arab Emirates, continues to grow in modern commercial scope and as an important financial centre. We are ideally situated to serve customers with interests in the Gulf area and in the Middle East generally.

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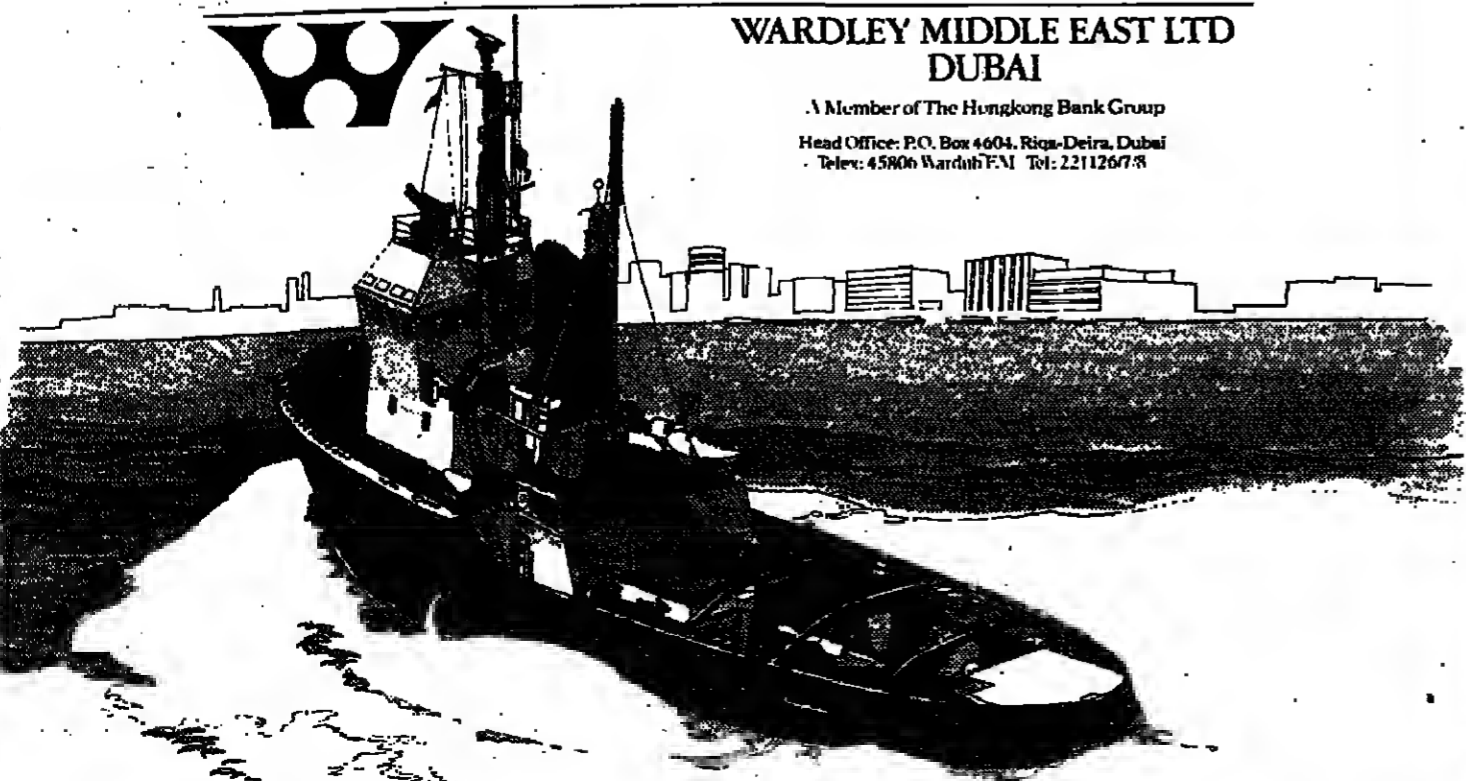
Wardley are experts in preparing total financial packages for development projects in the Middle East. These usually involve short or medium term loans, in the currency of your choice. The Bank's contribution often includes feasibility studies, structuring the best finance and security, and locating appropriate sources of funds. We also handle export finance, arrange leasing facilities, provide international issues and supply bank guarantees and tender and performance bonds.

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SAUDI CAIRO BANK

A Saudi Joint Stock Co.
SAUDI ARABIA

OUR FIRST SUCCESSIVE YEAR OF GROWTH

Balance Sheet as at 31st December 1980

LIABILITIES	
Capital & free reserves.....	235,000,000
Deposits	4,234,385,952
ASSETS	
Cash funds and balances with banks and correspondents	2,551,473,468
Investments	19,925,000
Loan Advances, etc.	2,849,769,227
Other Assets	171,297,481
TOTAL ASSETS	5,592,465,176
Customers liabilities for guarantees, letters of credits, etc. (Per Contra).....	5,728,045,899
TOTAL BALANCE SHEET	11,320,511,075
NET PROFIT	117,579,345

* (On December 31st, 1980, 1 SR = U.S. \$-3)

SAUDI CAIRO BANK



HEAD OFFICE: Al-Faiha Building, Medina Road, P.O. Box 496, Tel.: 6534140/6534144/6534148, Dealing Room Tel.: 6534156, D/C Dept. Tel.: 6534392, Telex: 400205 BKCAIR SJ & 402524 SCB FX SJ, Cable: "SAUDICAIRBA-JEDDAH" Saudi Arabia.

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البنك السعودي الفرنسي Al Bank Al Saudi Al Fransi (The Saudi French Bank)

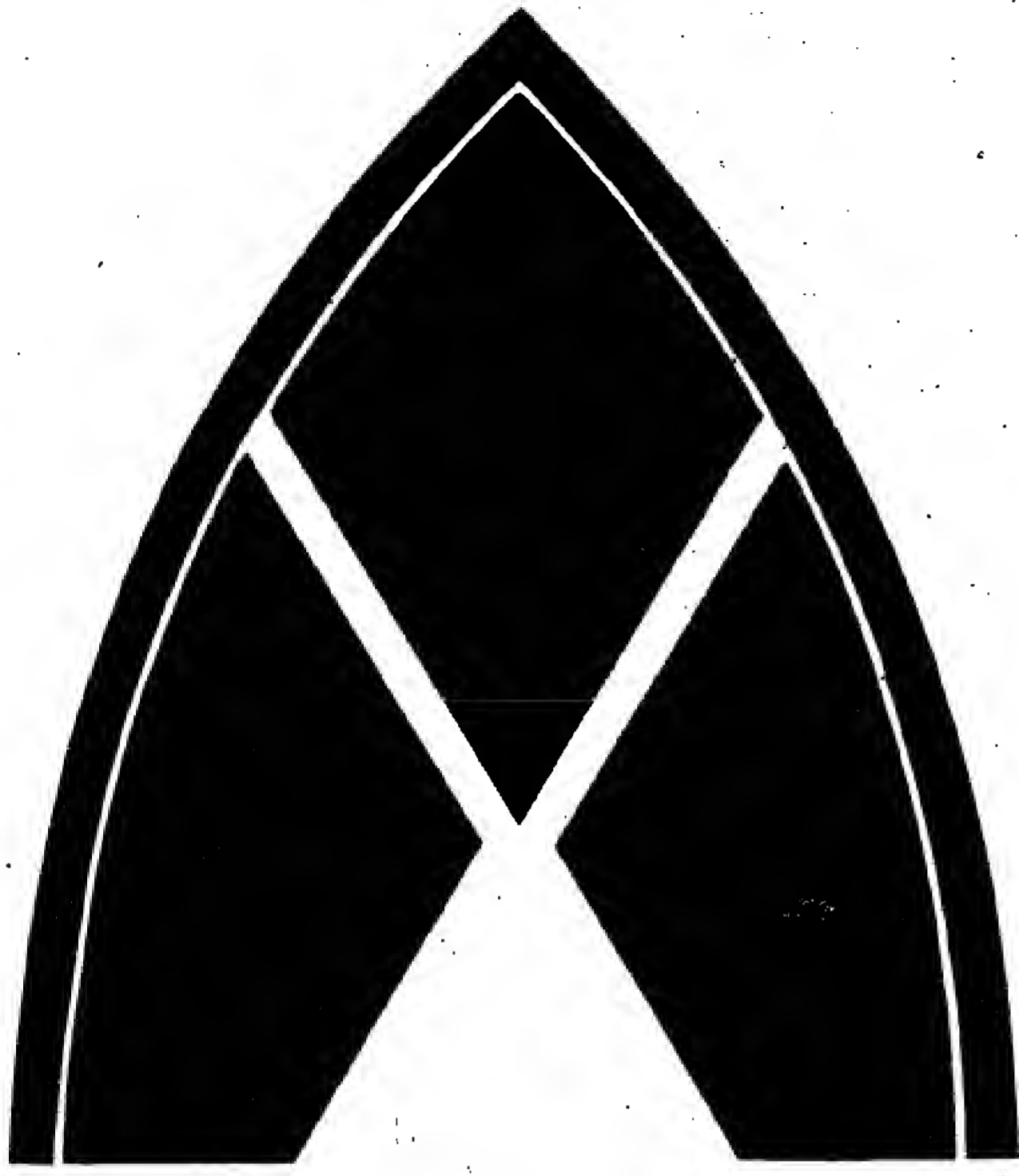
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SAUDI ARABIA

Funds Not Lacking for Islamic Ventures

SAUDI ARABIA'S standing in the Moslem world could hardly be higher than it is today. The success of the kingdom's strategy to become the center of the Islamic movement took its most visible form at the Islamic Conference in Taif in January. Although little was achieved in concrete terms, the political significance of the meeting should not be underestimated.

Saudi television showed the heads of state of every Moslem state, seated on carpets within the Grand Mosque of Mecca, being led in prayer by King Khalid in one of the few occasions he has spoken in public. Probably the most unforgettable scene was the king leading presidents, premiers and monarchs in a circumambulation of the Ka'aba — the traditional act of devotion made by every pilgrim to Islam's holiest shrine.

It would be inaccurate to suggest that Islam's resurgence is exclusively or even mainly due to Saudi Arabia's political and economic influence, but assisting the development of pan-Islamic consciousness is one of the key objectives of the kingdom's development strategy.

Saudi Arabia's standing in the Moslem world has come through a combination of its historic role as the guardian of holy places and its new role as a generous donor to countries with substantial Moslem populations.

Oil Organizations

The central structure in the resurgence of Islamic identity is formed by the two organizations grouping oil-producing countries — the Organization for Petroleum Exporting Countries and the Organization for Arab Petroleum Exporting Countries.

Although neither concentrates exclusively on developing an Islamic approach to the

world economic order, they have become vehicles for criticism of the industrialized — and essentially non-Islamic — world's priorities. OPEC has been active in establishing companies with commercial activities in the Middle East. They include the Arab Petroleum Investments Corp., which finances petroleum projects; the United Arab Shipping Co.; the Arab Maritime Petroleum Co., a rather unsuccessful tanker company; and the Bahrain-based Arab Shipbuilding & Repair yard. Saudi Arabia is a major shareholder in all these organizations.

Saudi Arabia is also active in at least 15 significant banking and economic institutions founded in the Moslem world. It is the second-largest contributor to the Kuwait-based Arab Fund for Economic & Social Development, which is modeled on the World Bank, and the biggest backer of the Arab Bank for Economic Development in Africa.

London-Based Bank

The largest aid agency that the kingdom is active in is the Jidda-based Islamic Development Bank (IDB). Founded in 1975 under the auspices of the Islamic Conference Organization, the IDB's objectives are to finance economic and social development both in Islamic countries and in Islamic communities worldwide. The essentially Moslem character of the agency — which is intended to become as important in world economic affairs as the Asian Development Bank — is demonstrated by the fact that loans are in accordance with Islamic law; they are interest-free, and have only low service charges.

Other vehicles for Saudi Arabia's participation in the international economy include the London-based Saudi International Bank, which is 50-percent owned by the Saudi Ara-

bian Monetary Agency, the remainder of the bank's shares being held by Saudi and international commercial banks. In contrast to the IDB, the SIB follows commercial banking criteria and is active in international loan syndications.

Saudi Arabia's bilateral aid efforts are channeled through the Saudi Fund for Development and the Faisal Philanthropic Foundation. The former is particularly active in Pakistan, where it has provided low-cost financing for a number of development projects.

The foundation, created in 1976, is possibly the largest national aid agency in the world. About 30 percent of its funds are devoted to overseas projects, and a particular emphasis is placed on schemes with Islamic aspects. For example, the foundation created a 10-million-riyal (\$3-million) fund to pay for graduate studies for Moslem students. The foundation has encouraged technical development, and it set up the Geneva-based Al-Dar'iyah Institute for research into alternative sources of energy.

Saudi Arabia considers that it has a special role to play in educating Moslem clergymen and practitioners of Islamic law. It has three major Islamic universities. One of the reasons for the huge scale of the new Riyadh university campus project — which is being built by a U.S.-French consortium — was Saudi Arabia's plan to accept students from other developing countries, particularly Moslem ones.

Although government support continues to be the most important way that Saudi Arabia promotes Islam, the private sector has been showing a greater willingness to introduce business methods in accordance with Islamic law. Recent examples include the trend toward Islamic banking.

— EDMUND O'SULLIVAN

Abundant Money Can Also Bring Problems

SAUDI ARABIA, through its oil wealth, has gained a position and influence in the world that sometimes obscures the fact that it is an enormous developing country, facing many of the same problems as other developing states, but with one headache that is unusual: The kingdom quite simply earns more money than it knows what to do with.

Despite huge expenditures on defense and development projects, as well as prestige ventures, generous aid programs and the like, Saudi leaders just cannot balance the books. Income exceeds expenditure — and, perhaps surprisingly, this raises serious problems.

Then why does Saudi Arabia go on producing such a large quantity of oil? Production currently stands at 10.3 million barrels a day, rather than the preferred 8.5 million, and Planning Minister Sheikh Faisal Nazaf has said that, even if production were cut to 5 million barrels a day, Saudi Arabia could easily meet its financial commitments for the five-year development plan (1981-1985) set at \$234 billion.

In fact, it is doubtful whether Saudi Arabia could afford to cut production as low as 5 million barrels, not for financial reasons, but because many of its new industrial projects depend on exploitation of gas associated with oil, which used to be wastefully flared off. Thus production levels of oil have to be sufficient to yield the required volumes of gas.

But on the whole Saudi Arabia does not have to calculate its production levels in accordance with economic need. Since crude oil prices began to increase dramatically in 1979, despite Oil Minister Sheikh Ahmed Zaki Yamani's efforts at moderation, Saudi Arabia's surplus revenues have reached staggering proportions. By the end of the year, the kingdom's foreign assets could be as much as \$150 billion, according to Western estimates.

The nation's oil policy has been clearly identified in the discussions surrounding the recent Organization of Petroleum Exporting Countries conference. When the Iraqi-Iranian border war disrupted those

two countries' oil supplies, Saudi Arabia stepped up production to prevent a drastic shortfall that would have forced prices higher. As world demand has declined in recent months, Saudi Arabia has maintained the higher level of production, creating — deliberately, according to Sheikh Yamani — a glut on the market to keep prices down.

With its vast reserves, Saudi Arabia is in a strong position to control the market, especially since it can cut or raise production without any impact on its domestic budget. Until now, Saudi Arabia has been willing to play this role, especially after the high price rises of 1973-1974, to prevent undue damage to the Western economic system.

The reasons are straightforward. Saudi leaders see their economic future as interdependent with the West's. In return for oil, the West supplies technology, industrial goods and weapons. Moreover, the advanced industrial nations alone are capable of absorbing the vast quantities of surplus petrodollars available for investment, at least in the short term. If the price of oil continues to rise faster than the general rate of inflation, then the increase will be reflected in higher prices of technology and manufactured goods.

Constant Fear

There is a constant fear that, if oil producers become too hawkish, the superpowers might seize the oil fields. But it has always been assumed that Saudi Arabia, in return for its moderation, might reasonably expect not a quid pro quo but at least a sense of understanding from the United States over the Palestinian and Lebanese crises. This understanding has not come, and indeed the Camp David accords and the freezing out of Egypt by other Arab states were a blow to Saudi Arabia.

The Saudi leadership is under domestic and regional pressure to cut production for two reasons. First, many young intellectuals and administrators say that the best place for the oil is in the ground until the kingdom is able to absorb the revenues. Second,

many Arabs say that Saudi Arabia should not go on supporting the United States while Washington supports Israel.

Just how seriously these complaints are being taken can be judged from the increasingly aggressive statements issued by Saudi leaders. Few observers seriously believe, however, that Saudi Arabia is considering causing an international crisis by cutting off the oil. It is simply not the Saudi way. But if production continues at levels dictated by the world economy rather than the Saudi economy, what can the regime do to pacify local opinion?

Saudi Arabia is a large country. With a landmass of about 2.2 million square kilometers, it is almost as large as the combined countries of the European Economic Community. Most of this territory is desert, and while most of the population lives in the major urban areas, there are very small settlements scattered throughout the kingdom.

In 1954, there were only 250 kilometers of asphalt-surfaced roads. Merely connecting the three major centers — Dammam, Riyadh and Jidda — meant building a 1,609-kilometer highway straight across the desert. An entire infrastructure of roads, airports and essential services like water and electricity has had to be created from scratch.

The problem of building the infrastructure was compounded by the fact that little was done before the mid-1960s. This was true in much of the Gulf region. Before OPEC was formed at the beginning of that decade, oil revenues amounted to less than \$2 a barrel, and the administrative structures necessary for major modernization programs simply did not exist. It was only as OPEC began to make its mark on the oil industry, and as predictions that oil would run out by the end of the 1980s began to circulate, that attitudes toward development changed radically.

The first two development plans up to 1980 concentrated largely on infrastructure, without communications, water, electricity and other basic services, there could be no industrial development. The inevitable fact that towns were first to

benefit from progress created a problem in that the Bedouin and peasants drifted off rural areas into the towns. Agricultural production has been neglected until now, and it will cost a great deal to revitalize it.

Only now is the stage set for a major injection of capital into the industrial projects on which the kingdom's future is staked, to allow full exploitation of natural gas and to create spin-off industries that in turn will open a domestic market, without the pressures of international inflation caused by imports.

Saudi leaders have been criticized for developing too slowly. There are technocrats who argue that, since Saudi Arabia provides a high standard of education for its girls and there is a critical shortage of labor, those girls should be allowed to use their skills in productive jobs, rather than being restricted to socially acceptable functions such as teaching and nursing. There is also widespread criticism of the wealth gap that has been created between members of the ruling family and a privileged elite and other members of the community.

Attack in Mecca

But there are just as many voices criticizing the leadership for developing too quickly and destroying the fabric of this deeply religious, traditional society. That was one of the factors behind the attack in 1979 on the Grand Mosque of Mecca, the holiest place of Islam. Coupled with the revolution in Iran, this gave the Saudi leadership much to think about.

The shah, Mohammed Reza Pahlavi, had moved reluctantly to modernize and industrialize his country without much reference to or concern for the people.

For Saudi Arabia, the problem of maintaining the balance between progress and tradition is complicated by the status of the king as Guardian of the Holy Places. Saudi Arabia is the historical and spiritual center of the Islamic community and simply cannot abandon the religious and social principles on which it is founded.

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U.S. Oil Well Saga

High Risk and High Stakes At the Rig on Jackass Bay

By Douglas Martin
New York Times Service

JACKASS BAY, La. — This is the biography of an American oil well, one of the 70,000 that likely will be drilled in the United States this year. It is a story played out every day in places as distinct as the jagged hills of Tennessee, the jackrabbit plains of Texas, the boardrooms of Houston and the canyons of Wall Street.

By far more oil and gas wells are drilled in the United States than anywhere else. They are considerably smaller — often one-tenth the size of the gasubers of the Middle East — but they add up to a sizable advantage over countries that produce more of their own oil.

The search for oil involves thousands of people far removed from the oil field roughnecks. It requires the money of businessmen, doctors and dentists; the calculations of tax accountants and the reckoning of geologists, engineers and business consultants. Most of all, the search depends on the willingness of an independent wildcatter to risk a big loss.

Jack Koch, 60-year-old gambler by instinct and oilman by profession, is driving through the spongy air of Plaquemines Parish, La. In the calming tones of the country lawyer he is, the ruffled millionaire tries to describe a business where men become rich by correctly guessing what wealth may lie beneath the earth.

"I'm excited!"

"I thought I'd get over it; but I'm just as excited as I ever was," says the driller of some 400 oil and gas wells. He is on the way to Jackass Bay — eight miles from the Gulf of Mexico and home of alligators, muskrats, water moccasins and State Lease 8,981. In a few hours, tests will tell whether Mr. Koch's lasting gamble is a winner.

Mr. Koch says he was in the business five years before he drilled a hole that was not dry. Three of his latest efforts have failed. "This business is a tomorrow business." The next well, always the next well.

More than 2.5 million have been drilled in the United States. These days, egged on by the Reagan administration's decontrol of oil prices four months ago, the pace is accelerating as never before. Last year, a record-breaking 62,704 wells were drilled, and so far this year drilling is running 33 percent ahead of even that frantic pace.

More wells have been drilled in Kansas than in all of South America, and more in Arkansas than in all of Africa. And more wells are said to have been sunk in Plaquemines Parish — over the years the most bountiful oil and gas country in the country — than in all of the Middle East.

Domestic wells averaging about 16 barrels of production a day, instead of the thousands daily from Saudi Arabian wells, are insurance against foreign supply disruptions.

Clearly, though, Mr. Koch views Jackass Bay more as a business venture than as an exercise in patriotism. "This is a game for grown-ups," he also says. "If you're going to cry about it when you lose, stay away."

Darkness has fallen over the Mississippi River, where six-foot waves are slapping hard against a crew boat on the way to Jackass Bay from the town of Venice, where Mr. Koch left his car. Experts from the Schlumberger Corp. will tonight make tests on the newly drilled well to determine if Jackass Bay will augment the U.S. energy supply and Mr. Koch's income, which runs between \$300,000 and \$700,000 a year.

He likes to observe tests personally. Tonight's will determine if his group of investors has wasted \$822,500 or will have a shot at

making an estimated \$38.6 million over the life of the well.

The role played by an independent oilman like Mr. Koch is akin to that of the producer of a Broadway show. The oilman's script is a piece of land, perhaps under water like Jackass Bay, and a theory about why that land contains oil or gas.

On an average day Mr. Koch receives several phone calls from geologists and others who want to interest him in a lease. Often he will examine scores of deals before choosing one. "It may be the wrong one, by the way," he said. "I'm no oracle."

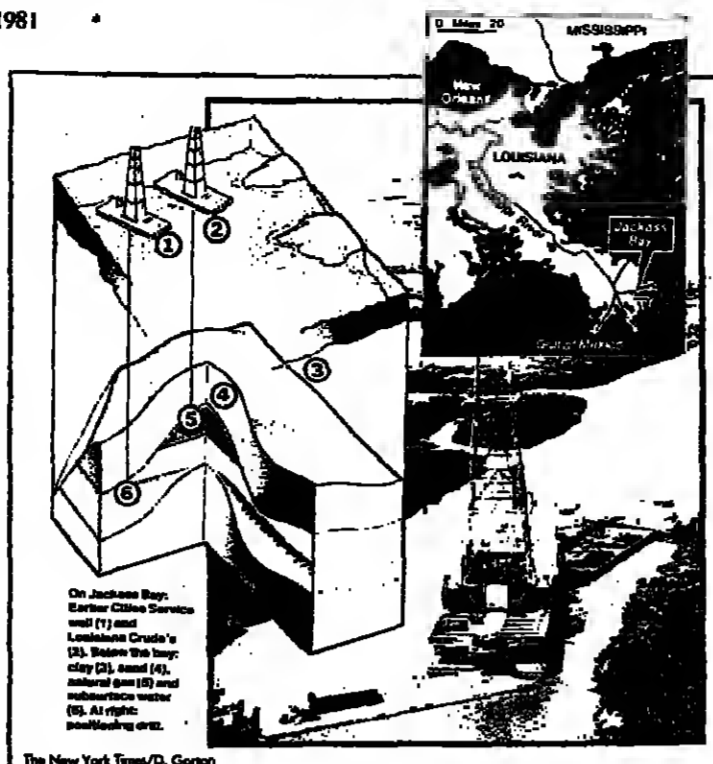
In the case of Jackass Bay, James P. Evans 3d, an independent geologist, approached Mr. Koch last summer with a lease he had purchased and a theory about why it was likely to contain 15 billion cubic feet of natural gas and 36,000 barrels of oil — despite the unpleasant fact that 13 dry holes had been drilled within a three-mile radius. Mr. Evans argued that a producing well in the area provided evidence that the nearby site he was peddling would also contain hydrocarbons.

Mr. Koch is wary of geological advice. "Nothing makes me run away from a deal faster than a guy who says, 'Jack, I got a cinch deal here.' Unless he smiles real fast, I'm gone."

But now Mr. Koch is in a Schlumberger truck that sits on a platform jacked up beside the rig, watching the first logs of electronic and radioactive tests.

Louisiana Crude, a company Mr. Koch heads, bought the lease for \$150,000 on Sept. 10. Then came the money-raising. From extravagant investor parties at the Plaza Hotel in New York City to opulent barbecues on West Texas ranches, oil seeks money, and vice versa. In New Orleans, some oil tycoons reward their mistresses with shares in oil wells, rather than with money or minks.

Money is raised for drilling wells in a dizzying variety of forms, including syndications,



The New York Times/D. Gordon

public offerings and private placements. This is no game for those not prepared to lose their investment or who cannot use the tax shelter that drilling programs can provide. Generally, if an investor is not in a 50-percent tax bracket he is playing the wrong game.

For the Jackass Bay property, Mr. Koch garnered all but a small fraction of the drilling funds from other independent oilmen. The game is to reduce risk by spreading it as much as possible. "I'd rather have part of eight wells than 100 percent of one," Mr. Koch said. Louisiana Crude always tries to limit its participation in a drilling venture to a quarter interest at most.

The custom is for investors to pay one-third of the costs relating to their proportion of drilling a particular well, in return for one-fourth of the revenue. The company that puts the deal together, in this case Louisiana Crude, gets the revenue from the difference between one-third and one-quarter as a standard payment.

This is partly because the operating company usually has to come up with one-fourth of the costs for "completing" and operating a well, if quantities of oil and gas worthy of production are found. Only in the initial drilling, albeit the riskiest part of the operation, does it escape.

The variety of tax breaks for oil and gas investment sometimes make it advisable for Louisiana Crude to pay part of the initial costs in its own deal, as well as in the deals of other companies. Each Sept. 1, Mr. Koch reviews his tax situation to determine if he needs to "put money straight up" before Dec. 31.

Mr. Koch originally hoped to own one-fourth of the Jackass Bay well through Louisiana Crude and Koch Energy Corp., a family company of which he owns a third. As recently as three weeks before the well was tested, however, he still owned half. Then, in order to satisfy some latecomers, he had to give up more than he intended, ending up with only a 9.25-percent working interest.

Other owners are Bennett Petroleum, Denver; Seaboard Oil and Gas, Santa Fe Springs, Calif.; Beau Coup Oil and Gas, New Orleans; and J. William Sherar, a New Orleans businessman. The state and several individuals hold royalty interests, which must be paid out before working-interest partners receive anything.

The time is now past midnight, and a full moon has pushed its way through the clouds. Tests are continuing and a guarded optimism is building. "I'd like to have a piece of this well," says a geologist on

float issues if they can obtain yields below 15 percent.

This is led to something of a standoff, although four fixed-rate issues were scheduled for offering this week.

The Eurobond market's first zero coupon issue proved to be popular even though the yield came to only 14.14 percent. Managed by Credit Suisse-First Boston, the \$75 million, three-year issue of PepsiCo was priced at 97.25. In aftermarket trading, the issue was quoted at 97 or close to issue price.

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Fed Fends Off Rebellion by Banks

Institutions Push for Edge Over Money Market Funds

By Robert A. Bennett
New York Times Service

NEW YORK — For years, bank-holding companies and their large banks have been quietly obedient to the Federal Reserve Board, which has enjoyed largely unquestioned adherence to its regulations through its powerful grip on the banking industry.

Big banks must obtain the Fed's permission for practically any new venture or product — even to open or close a small branch. In addition, the Fed rules with a certain moral authority that it gets from just being the Fed — it commands awe and deference.

Most bankers, therefore, have been understandably reluctant to take on the Federal Reserve. Today, however, the Fed has a rebellion on its hands. The banks are being punished by competition from money market mutual funds, and on Wall Street, such formidable names as American Express and Prudential have formed alliances with leading brokerage firms, further threatening the banks' competitive position.

Many bankers sense that they are in a last-ditch effort to meet the competition. Many complain that the Fed has failed to stand up for them, and they say they are willing to risk the antagonism of their regulators.

Even banks that have never rocked the boat are taking bold initiatives. In the most notable instance, Manufacturers Hanover is in the process of issuing \$100 million of deposit-like "money market notes."

These notes, issued in \$1,000 denominations, are designed to compete head-on with money market mutual funds. The rate of interest will be adjusted weekly in line with the rates that big companies charge on loans to each other. Last week the yield on the notes would have been about 17 percent, and one analyst has calculated that, over the last year, the yield on the notes would have been between one-half and a full percentage point higher than that on most money market mutual funds.

In addition, although the notes carry a seven-year maturity, they

are being underwritten by scores of brokerage firms, headed by Merrill Lynch, which will make secondary markets in them. That means investors will be able to trade the notes at any time.

Some analysts see the notes as the big banks' answer to the Fed's Regulation Q, which severely limits the rate of interest that banks may pay on consumer deposits. If the notes catch on, they could suck billions of dollars more from the nation's ailing thrift industry that lacks the market status to sell its own money market notes. This is just the situation the Fed, with its Regulation Q, has been trying to avoid.

The next move is up to the Fed, and it is in a bind. It can either anger the banks by trying to stop the holding companies from issuing the notes — which would be glaring because they apparently meet the letter of the law — or let them go by, in which case it risks a deluge of similar issues. Chase Manhattan and Continental Illinois have already filed similar offerings with the Securities and Exchange Commission.

Bank lawyers say the notes technically do not violate Federal Reserve regulations because they will

be obligations of the holding company, not of the banks themselves.

Last year, Citicorp tried to issue a floating-rate note that would have been redeemable after 30 months. But the Fed squashed it.

"Never Know"

"It's a very well-designed piece of paper," Donald S. Howard, executive vice president of Citicorp, said of the Manufacturers Hanover notes, which he said he thinks the Fed will allow the issue to be sold.

Despite such hopes, bankers cannot be certain of what the Fed might do. "You never know," William C. Butcher, chairman of Chase Manhattan, said.

And grounds exist for apprehension. At a bankers' meeting in Geneva earlier this month, Paul A. Volcker, chairman of the Federal Reserve Board, did not comment specifically on the Manufacturers Hanover notes, but he said that high-yielding investments offered by banks and bank holding companies "need to be reviewed to see to what extent, if any, these new instruments should be brought under control."

If the Federal Reserve does oppose the notes, it will further irritate the bankers; Manufacturers

Hanover, which usually avoids such controversies, has indicated that it will take the Fed to court if the Fed says no.

"There's a new militancy as a result of competitive pressures," said Harry E. Ekblom, chairman of European American Bank and Trust.

For the Fed, the rebellion comes at a time when it has its hands full trying to get the money supply under control.

The major sore point is the limit on the amount of interest banks may pay on consumer deposits, and the reluctance of regulatory authorities to remove it quickly. The Fed is not the sole arbiter on that issue, but the bankers complain that the Fed has not taken the lead or strongly advocated a rapid phase-out of the controls.

Last year, Congress established the Depository Institution Deregulation Committee, known by bankers as "Didick," which has the task of phasing out Regulation Q by 1986.

But that is not nearly soon enough for the bankers. For its part, the Fed says that it is not insensitive to the bankers' problems, but adds that it has laws to follow and that it must take into consideration (Continued on Page 14, Col. 1)

Heat Rising in EEC-U.S. Trade Disputes

By Clyde H. Farnsworth
New York Times Service

WASHINGTON — The United States and the EEC are trying to deal with a sudden rash of trade disputes erupting from long-running economic problems on both sides of the Atlantic that have sharpened competition for exports and jobs.

A European challenge of the trigger-price mechanism, which regulates the flow of steel imports into the United States; U.S. threats of retaliation if the EEC continues to increase subsidized farm exports, and other skirmishes over textiles, autos and credit subsidies have just been written into the crisis-management agenda of trade officials here and in Europe.

"I think the economic problems between the United States and Europe are more serious now than at any time since World War II," said Kenneth Rush, a former U.S. diplomat who is chairman of the Atlantic Council, which seeks to promote closer ties in the industrialized world.

The Atlantic partners are sparring against a backdrop of heightened nationalism, growing protectionism and broad differences in the approach to international economic problems being registered by officials in Washington and the European capitals.

The steel dispute relates to demands by European producers to sell below the level of trigger prices — which in effect is a floor for imported steel intended to protect the domestic industry from "unfair" foreign competition.

Steel being imported below trigger prices sets off an immediate investigation to determine whether it is being dumped, or sold below fair value. The protective mechanism is based on the production costs of Japan, deemed the most efficient steel-making country in the world.

The European demands are based on contentions that dramatic exchange rate changes in recent months have combined with increased efficiency to enable them to sell at fair prices below the established trigger-price level.

But the U.S. steel industry is angry at what it considers a full-scale effort to break down the protective mechanism and has counterattacked by charging that the only way the Europeans could break even by selling below the trigger price is through huge government subsidies. U.S. industry wants the subsidies added to trigger cost calculations.

The Europeans have been pressing the steel issue because their

sales in the U.S. market have fallen off sharply in recent months and because their own economies are not strong enough to absorb their production without substantial layoffs.

While the skirmishing is under way in steel, the Reagan administration has been pressing the EEC to cut back its subsidies to agricultural exports, which help the European farmers undercut prices of U.S. grain and other farm products in world markets. But France's new Socialist president, Francois Mitterrand, campaigned on promises to provide even greater support for French farmers, indicating that the United States and France may well be on a collision course in at least this one sector.

Meanwhile, the Europeans are threatening to levy an import tax on U.S. soybean oil, a move that could anger U.S. farmers.

An export credit war also is threatened. According to figures from the Organization for Economic Cooperation and Development, European governments, again with France in the lead, subsidize export credits to the tune of nearly \$5 billion a year.

By so easing the financing problems of export customers, a powerful stimulus is given to foreign sales. Both the Carter and Reagan administrations tried to negotiate an end to the subsidies and now the U.S. trade representative, William Brock, is threatening to invoke trade laws that give the president power to retaliate.

Congress, meanwhile, has gone a step further. The House Banking Committee has just approved a proposal to set up a \$1 billion fund to be used to cut the rate on U.S. export credits to meet the European competition.

Bond Traders Debate Dollar's Durability

By William Ellington
AP-Opta Jones

LONDON — Opinion among many international bond analysts is shifting toward the view that U.S. interest rates will decline erratically over the rest of the year.

But market specialists differ in their assessment of the consequences of falling interest rates for the dollar in the foreign exchange market. How the dollar performs is, of course, crucial for those

investors who keep their accounts in other currencies. Many investment advisors worry more about the performance of a currency than they do about bond prices or interest-rate levels.

Armin Mattie, manager of Union Bank of Switzerland (Securities), said Swiss portfolio managers are generally optimistic about the dollar and have been stepping up their purchases of international dollar bonds to lock in high interest rates.

Other bankers cited Soviet pressure on Poland, instability in the Middle East and the Soviet intervention in Afghanistan as having a stronger influence on Swiss thinking about the dollar than economic or monetary trends. These bankers added that the emergence of what are perceived as weak governments in most of the democracies of Europe and the forceful image of the Reagan administration are also helping the dollar.

"For years, the Swiss had nothing but bad things to say about the dollar, now it has all changed," a London banker said.

A different view is taken by Phillips and Drew, a London brokerage firm. The firm predicts that by next June, the dollar will have declined to between 1.85 and 1.95 Deutsche marks from the present level of around 2.40 DM.

Furthermore, the firm has produced a series of total return calculations that suggest dollar bonds will be one of the worst investments over the next 12 months. These calculations combine projected currency gains, accrued interest and capital gains arising from anticipated changes in bond prices. The projections show that a dollar-based investor may be able to achieve a total return of about 50 percent by next June by investing in Eurobonds denominated in Deutsche marks.

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Market Turnover
Week Ended June 12
(Millions of U.S. Dollars)

Total	Dollar	Non-dollar
Cedel	2,053.1	1,713.4
Eurocl.	5,232.9	4,430.1
		802.8

CURRENCY RATES

Interbank exchange rates for June 12, 1981, excluding bank service charges.

	\$	£	D.M.	F.F.	Y.L.	Gld.	B.F.	S.F.	D.K.
Amsterdam	2.468	5.205	111.235*	46.79*	0.2237	—	4.817*	124.86*	35.55*
Brussels (a)	36.165	76.495	16.235	6.8165	3.28*	14.683	—	182.93*	51.925*
Frankfurt	2.392	4.874	—	41.75*	2.097*	89.71*	4.117*	114.20*	31.71*
London (b)	1.9983	—	4.6863	11.209	2.837.10	5.2173	74.37	41.03	14.713
Milano	1,147.76	2,330.38	496.25	209.28	—	447.80	36.485	54.70	158.49
New York	1.0000	1.0000	—	—	—	—	—	—	—
Paris	5.207	11.142	237.64*	—	4.78*	313.76*	14.834*	271.20*	73.70*
Zurich	2.0925	4.085	87.48*	36.45*	0.1748	78.335*	5.3012*	—	27.75*
ECU	1.0554	0.5408	2.5303	0.026	1.261.10	2.8142	41.321	2.2189	7.9487

	\$	£	D.M.	F.F.	Y.L.	Gld.	B.F.	S.F.	D.K.
Equiv.	1.1231	—	—	—	—	—	—	—	—
Australian \$	0.8826	—	—	—	—	—	—	—	—
Australian schilling	0.0076	—	—	—	—	—	—	—	—
Belgian fl.	0.00045	—	—	—	—	—	—	—	—
Canadian dollar	0.7525	—	—	—	—	—	—	—	—
Coincided \$	1.2045	—	—	—	—	—	—	—	—
Danish krone	7.4625	—	—	—	—	—	—	—	—
French franc	6.5595	—	—	—	—	—	—	—	—
Irish pound	0.7876	—	—	—	—	—	—	—	—
Italian lire	333.33	—	—	—	—	—	—	—	—
Japanese yen	163.89	—	—	—	—	—	—	—	—
Port. escudo	200.48	—	—	—	—	—	—	—	—
South African rand	0.6702	—	—	—	—	—	—	—	—
S.S.R.	1.1973	—	—	—	—	—	—	—	—

* Eastern Time, 1205 (1/8) C. (a) Commercial (b) Interbank

CARBONIT GROUP APPOINTMENT



The Carbonit Group of Companies is pleased to announce the appointment of Teuzio Zurmond as President and Chief Executive Officer.

Dr. Zurmond (40) was formerly Vice-President of Finance and Administration and succeeded the retiring President, Mr. F. J. Plesman.

The Carbonit Group, founded in 1937, with principal offices in Amsterdam, Houston and Caracas, is active in oil exploration, refining and the marketing of petroleum products and fertilizers.

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	Dresdner Bank International Phone 42816 Telex 2302 08
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U.S. \$40,000,000
15 3/4% Notes due June 15, 1984
Issue Price 99 3/4%

Wood Gundy Limited

Credit Suisse First Boston Limited	Banque Bruxelles Lambert S.A.
Banque Nationale de Paris	Deutsche Bank Aktiengesellschaft
Kuwait International Investment Co. s.a.k.	Salomon Brothers International
Swiss Bank Corporation International Limited	S.G. Warburg & Co. Ltd.

June 1981

Saudis, Venezuelans Hold Top-Level Talks on Oil

Reuters
 GENEVA — Saudi Arabia and Venezuela discussed oil prices and the market situation in top-level talks here Sunday. Venezuelan Energy Minister Humberto Calderon Berti said.

He declined to say whether the possibility of production cuts had been discussed. Saudi Arabia has declined to join an OPEC majority in cutting production and trying to remove a glut on the world oil market.

King's Brother, Sheikh Yamani Meet Herrera

Venezuelan Foreign Minister Jose Alberto Zambrano Velasco accompanied President Luis Herrera Campins to the one-hour meeting at the Geneva home of Saudi Arabia's King Khalid.

'Open Discussion'

The Saudi oil minister, Sheikh Ahmed Zaki Yamani, and the king's brother, Prince Sultan, also took part in an "open discussion" between the two governments, Mr. Calderon Berti told reporters.

Asked to comment on Venezuela's recent decision to reduce its oil export prices, the minister said the situation still depended on Saudi Arabia.

Mr. Calderon Berti said he planned to take part in a meeting in Geneva on Wednesday and Thursday of the Organization of Oil Exporting Countries long-term strategy committee headed by Sheikh Yamani.

Price Increases

OPEC has formed the panel mainly to seek ways of introducing gradual price increases that would not lead to economic recession in industrialized importing countries.

The Venezuelan minister said he would leave Geneva Monday for a two-day visit to Poland and talks with Premier Wojciech Jaruzelski and other ministers on the possibility of oil sales.

The Saudi-Venezuelan talks also covered cooperation with developing countries and the North-South heads of state summit scheduled to take place in Mexico in October, Mr. Calderon Berti said.

English Channel Collision

United Press International

PORTSMOUTH, England — The 72,000-ton bulk carrier Titan collided with another ship in the English Channel and reportedly was taking on water. There were no reports of injuries among the crew of the Japanese-built and Liberian-registered Titan, and damage aboard the other ship — the Talavera, of undetermined nationality — was minor after the crash late Saturday.

Oil Supplies

The two countries already have commercial dealings and Venezuela is prepared to discuss the possibility of supplying Poland with oil, he added.

The Saudi-Venezuelan talks also covered cooperation with developing countries and the North-South heads of state summit scheduled to take place in Mexico in October, Mr. Calderon Berti said.

Banks Spurred by Growing Competition

(Continued from Page 13)

No one expects Regulation Q to be dropped immediately, but hopes are running high that the regulations will be substantially eased.

Meanwhile, to many bankers the situation is maddening. Last year, for example, Chauncey E. Schmidt, chairman of the Bank of California, was told by the manager of the bank's Modesto branch that in one day four "old-line" customers each had withdrawn \$50,000 from their checking accounts to reinvest them in money market mutual funds.

The primary, perhaps the exclusive, reason for Regulation Q is to protect the thrift industry, savings banks and savings and loan associations. High interest rates have put a good many savings institutions in precarious positions. If Regulation Q were eliminated, and all depository institutions had to pay market rates on practically all their funds, the dangers of the thrifts would be dangerously compounded.

Most thrifts, therefore, oppose rapid easing of Regulation Q, and their case has been championed vigorously by Richard T. Pratt, chairman of the Federal Home Loan Bank Board and a member of the Fed.

Bankers argue, however, that the money is flowing out of depository institutions anyway, and that in the process the longer-term interests of the banks are being placed in jeopardy.

The next meeting of the deregulation committee, to be held on June 25, is expected to be critical.

Accounts in London

The bank spent the next four months devising a plan to legally circumvent the Fed's interest-rate restraints. The answer it came up with was to establish checking accounts for its West Coast customers at its London branch. Deposits in foreign branches are not subject to Regulation Q.

On May 6, the bank announced its program and more than 200 potential customers jammed into its Beverly Hills office alone. But the Fed held a meeting that morning and decided to stop the plan. John Balles, chairman of the Federal Reserve Bank of San Francisco, was asked to give the news to Mr. Schmidt.

Mr. Balles asked Mr. Schmidt to suspend the program, Mr. Schmidt said. Mr. Schmidt refused to comply immediately. He asked to speak directly with Mr. Volcker. "I spoke with Volcker on the phone and he, too, just asked me to suspend the plan," Mr. Schmidt related. But the banker persisted and he arranged to meet with Mr. Volcker in Washington the next day, Friday.

At that meeting, at 3:30 P.M., "I went through a long dissertation of the problems the banking industry is facing," Mr. Schmidt said. "But the Fed still said it wanted us to stop the program. We agreed late Friday night to suspend it until Tuesday, when our board met. After that meeting, we went back and told the Fed that we would raise the minimum initial investment to \$25,000, from the \$10,000 under the original plan.

The Fed Board met Wednesday morning and the chairman called me and said they had amended the regulations to formally forbid us from going ahead." The board resorted to emergency powers and waived the 30-day notice period customarily provided, before changes in regulations are put into effect. The plan, at least for deposits of less than \$100,000, was dead.

The Bank of California went a step further than most other banks, but it was not alone in challenging the Fed.

In February, for example, the Chase Manhattan Bank discovered a loophole under which it could pay up to \$800 in so-called finder's fees for certain deposits. Under the Fed's rules, banks may pay finder's fees of only \$10 on deposits up to \$5,000, and \$20 on deposits above that amount.

Chase, however, noticed that a small savings bank in the New York area had devised a plan in which it broke large CD's into multiple units, and paid a \$20 fee on each unit. Thus, the total finder's fee could be as high as \$800.

"We pointed out the loophole to the Fed, and they said nothing," said Patricia C. Coate, a Chase vice president. But Chase did not tell the Fed that it was planning a similar program. Within days after Chase began running large advertisements offering the large vertisements fees, the Fed reacted and asked the bank to stop the program. The bank complied.

Last year, the Fed swiftly quashed a plan under which a subsidiary of Citicorp, which has long had a reputation for innovation and aggressiveness, offered a bold program in the Washington-Maryland area. It offered to pay 8.45 percent interest on "advance payments" on credit cards. These prepayments were similar to savings accounts, on which the Federal Reserve limits the interest rate to 5 1/2 percent.

In addition to paying interest on quasi-deposits, holders of Citicorp's Choice credit card would have been offered lines of credit of up to \$10,000.

"What we see," said Henry Wallich, a Federal Reserve Board governor, "is that the high level of interest rates is stimulating ingenuity that is not surprising."

Said Nancy Teeters, another Fed governor: "I don't find this very different than in the past. What is different is that this time its aimed at consumer issues." In the past, Mrs. Teeters said, banks had put pressure on the Fed mainly on matters related to their business with other banks and corporations.

Most bankers have some sympathy for the Fed, but there seems to be a widespread feeling that it should take a more positive initiative in dealing with the banking industry's longer-term problems.

"The Fed wears many hats," says Edward G. Nelson, president of the Tennessee Valley Bancorporation in Nashville. "Its concern about monetary policy almost always overshadows its regulatory function."

Thus, much of the antagonism toward the Fed has been that it has not been a strong enough advocate for the banking industry.

This concern, which is shared by practically all large banks, has been dramatically heightened in recent weeks following the announcements that Prudential In-

urance was planning to acquire Bache Halsey Stuart Shields, and that American Express was planning to acquire Shearson Loeb Rhee & Madhavan.

Banks fear that competition from such companies will become more formidable than ever as a result of the additional strength and the broader range of services that will be possible as a result of the proposed mergers.

Aside from the interest-rate question, bankers are frustrated with the slowness of the Federal Reserve (and Congress) to give them the powers they need to compete against the Prudentials and the American Expresses.

"Banks must be able to compete on a broad range of products," says Richard J. Fannin, 3d, president of Security Pacific. Among the powers he would like to have are the ability to underwrite corporate securities, to act as real estate advisers and brokers, to underwrite insurance, and act as insurance brokers, and to provide a wide range of investment counseling services.

"The day is long gone," he said, "when we could get a good return for shareholders out of a simple banking business."



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Offshore Oil Rig Sinks in Angola

Reuters

LISBON — A new offshore oil rig costing more than \$40 million sank following a blowout off the coast of Cabinda, Angolan official sources announced here.

No one was hurt when Angola's most modern offshore rig was crippled by a blowout on May 24 as drilling was underway for natural gas. The rig, operated by the Gulf Oil Co., sank June 1, the sources said Friday.

Another rig is reportedly being moved to the area to drill a new shaft into the leaking well and block it with cement.

All of these Securities have been sold. This announcement appears as a matter of record only.

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June 4, 1981

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Max Hatfield, Vice President

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 Inn On The Park

FRANKFURT June 22-23
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Gold Options (prices in \$/oz.)

Price	Aug.	Nov.	Option for Feb. 82 set on Aug. 3, 1981
470	24.00-24.00	24.00-27.00	
480	14.00-14.00	24.00-27.00	
510	7.00-9.00	14.00-19.00	
530	4.00-4.00	12.00-15.00	
550	2.00-3.00	12.00-15.00	

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 1, Quai de Mont-Blanc
 1211 Geneva 1, Switzerland
 Tel. 31.02.51 - Telex 28.305

High Risk and High Stakes At the Rig on Jackass Bay

(Continued from Page 13)

ry is large in Plaquemines Parish. The tests go forward to ever greater degrees of certainty. First the logs. Then the "jug" test — pushing canisters down the hole and seeing if oil and gas flow into them; chunks of rock are then taken and flown to laboratories for analysis. Finally a "dip meter" reading is taken, a process that gives an idea of the magnitude and shape of the reservoir.

Morning has come to Jackass Bay, and swamp birds are becoming noisy. The "jug test" is being completed, more than successfully. A flame, powered by natural gas taken from 9,300 feet in the ground, dances nine feet in the air. A plastic container is filling with a liquid that smells like the stuff that lubricates a car's engine.

"It's conclusive now," Mr. Koch says. "We have a well."

"What we did today was commit to spending \$300,000," Mr. Koch says as he drives back toward New Orleans. From the rig, he has already called his partners to tell them of their good fortune. Tonight he will nibble lobster mousse at a New Orleans garden party, and soon the rig in Jackass Bay will be gone. First it will be replaced by a smaller rig, and then by a complicated system of valves called a "Christmas tree."

Some of the decisions still to be made are pleasant indeed — for instance, should the well first be set up to produce price-controlled gas or decontrolled oil? In either case, he says, the economics look good.

In June, Mr. Koch will learn that production tests conducted on the smaller rig indicate that the well will produce 1.5 million cubic feet of gas a day.

Ministers Arrive In Nairobi for African Summit

New York Times Service

NAIROBI — Foreign ministers of nearly 50 African countries began arriving here for the annual summit meeting of the Organization of African Unity, scheduled to open Monday.

Unlike other host countries in the past, Kenya has taken a thrifty approach. It is reported to be spending just about \$10 million compared to \$400 million spent last year by Sierra Leone.

Major issues at this summit are likely to be the questions of the western Sahara and Chad. Black African countries also are expected to attack U.S. President Reagan for perceived inaction on the South-West Africa (Namibia) issue and for what they see as its stepped-up support for the white government in South Africa.

On the question of the western Sahara, King Hassan II of Morocco has said he will put forward a plan to end the fighting between his troops and the Marxist Polisario guerrillas. Mauritania and Morocco shared the area after Spain gave it up in 1976, but Mauritania withdrew in a 1979 agreement with the rebels.

As Salam Hospital Company S.A.E. \$18,000,000 Medium Term Fixed/Floating Rate Loan

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This announcement appears as a matter of record.

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 -Cairo Branch- **-Cairo Branch-**

Crocker National Bank **First Interstate Bank of California**

Agent Bank
Midland Bank Limited

ASN-Technical Financial Services, Cairo acted as consultant to the project.

29th May, 1981

International Bond Prices - Week of June 11

Provided by White Weld Securities, London; a Division of Financiere Credit Suisse - First Boston

Table of international bond prices with columns for Amt, Security, % Mat, Price, Yield, and other financial metrics. Includes sub-sections for Australia, Canada, and various international institutions.

Handwritten note in Arabic script: 'معلومات ايجل'

All of these Securities have been sold. This announcement appears as a matter of record only.

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- List of financial institutions: BANQUE NATIONALE DE PARIS, COMMERZBANK, CREDIT SUISSE FIRST BOSTON, DEUTSCHE BANK, MORGAN GRENFELL & CO., MORGAN GUARANTY LTD, NATIONAL BANK OF ABU DHABI, SALOMON BROTHERS INTERNATIONAL, SOCIETE GENERALE DE BANQUE S.A., SWISS BANK CORPORATION INTERNATIONAL, UNION BANK OF SWITZERLAND (SECURITIES), WARDLEY, WELLS FARGO.

June 11, 1981

Treasury Bills

Table of Treasury bill prices and yields for various maturities.

Kredietlux Indices

Table of Kredietlux indices for various countries and regions.

Advertisement for Blackie's House of Beef, featuring a logo and text: 'When in Washington, D.C. meet me at Blackie's House of Beef. Adjacent to the Washington Marriot. OUR 35th YEAR.'

Consolidated Trading of NYSE Listings

Table showing consolidated trading data for NYSE listings, including volume and price changes.

Advertisement for Baume & Mercier Geneve 1830 watches, featuring images of two watches and text: 'BAUME & MERCIER GENEVE 1830. The Jeweler you cannot miss. EDWARD JEWELS Via V. Veneto 187 Tel. 49 38 09 Roma.'

Large advertisement for WestLB (Westdeutsche Landesbank) featuring a stylized globe graphic and text: 'We channel your resources in to sound investments. Government bankers, portfolio managers, trust, administrators and other institutional investors have come to appreciate WestLB's broad range of sophisticated investment instruments. In addition to its own DM bonds and Schuldschein-darlehen, WestLB, one of Germany's top three international banks, offers investment opportunities in fixed interest securities in major international currencies. Advertisements, also part of the Bank's professional counselling services. When next reviewing your investment strategy, benefit from WestLB's multiple facilities.'

Advertisement for the Federal Republic of Nigeria Anambra State Water Corporation, featuring the text: 'FEDERAL REPUBLIC OF NIGERIA ANAMBRA STATE WATER CORPORATION GREATER ONITSHA WATER SUPPLY SCHEME INVITATION FOR PREQUALIFICATION: EXTENSION OF CLOSING DATE. The closing date for the submission of application for pre-qualifications for the above contract has been extended from JUNE 2nd, 1981 to JULY 7th, 1981. APPLICATIONS SHALL BE ADDRESSED TO: The General Manager, Anambra State Water Corporation, Constitution Road, P.M.B. 1296, Enugu - Nigeria. (Phone: 252654. Telex: 51161.)'

Continuation of the WestLB advertisement, including contact information for various international offices: 'Headquarters: P.O. Box 1128, D-4000 Dusseldorf 1, Tel. (211) 82 60. Frankfurt Office: Tel. (611) 2 57 91. Branches: London, Tel. 6 38 6141; New York, Tel. 754-9600; Tokyo, Tel. 2-16-0581. Subsidiaries: WestLB International S.A., Luxembourg, Tel. 44 74 11; WestLB Asia Limited, Hong Kong, Tel. 5-259 206. Representative Offices: Latin-America Office, New York, Tel. 754-9620; Rio de Janeiro, Tel. 2 62 48 21; Toronto, Tel. 889 1065; Tokyo, Tel. 213-1811; Melbourne, Tel. 6 54 16 55. Participations: Banque Franco-Allemande S.A., Paris, Tel. 5 63 01 09; Banco de Bahia Investimentos S.A., Rio de Janeiro, Tel. 253 97 23.'

International Bond Prices - Week of June 11

Provided by White Weld Securities, London; a Division of Financiere Credit Suisse - First Boston

Table of international bond prices with columns for Amt, Security, % Mat, Price, and Yield. Includes sub-sections for (Continued from Page 15) and various international securities.

Convertible Bonds

Table of convertible bond prices with columns for Amt, Security, % Mat, Price, and Yield. Includes sub-sections for EUROPE, JAPAN, and AMERICAN.

Table of current yields for convertible bonds with columns for Amt, Security, Price, and Yield. Includes sub-sections for Highest Current Yields and Explanation of Symbols.

Chicago Exchange Options

Table of Chicago Exchange Options for the week ending June 12, 1981, with columns for Option & price, Close, and various option details.

American Exchange Options

Table of American Exchange Options for the week ending June 12, 1981, with columns for Option & price, Close, and various option details.

The world at your finger tips. Incisive. In depth. International.

SENIOR EXECUTIVE POSITIONS

Table of senior executive positions with columns for POSITION, SALARY, EMPLOYER, LOCAT., QUALIFICATIONS, CONTACT, and Source.

JPX 6/15/81

YORK IAPI Weekly Over the Counter... (Introductory text for the market data section)

Table with columns: 100s High, Low, Last, Chg. Lists various market data points.

Table with columns: 100s High, Low, Last, Chg. Lists various market data points.

Over-the-Counter

Table with columns: 100s High, Low, Last, Chg. Lists various market data points.

Table with columns: 100s High, Low, Last, Chg. Lists various market data points.

Mauroy Vows to Support French Aerospace Growth

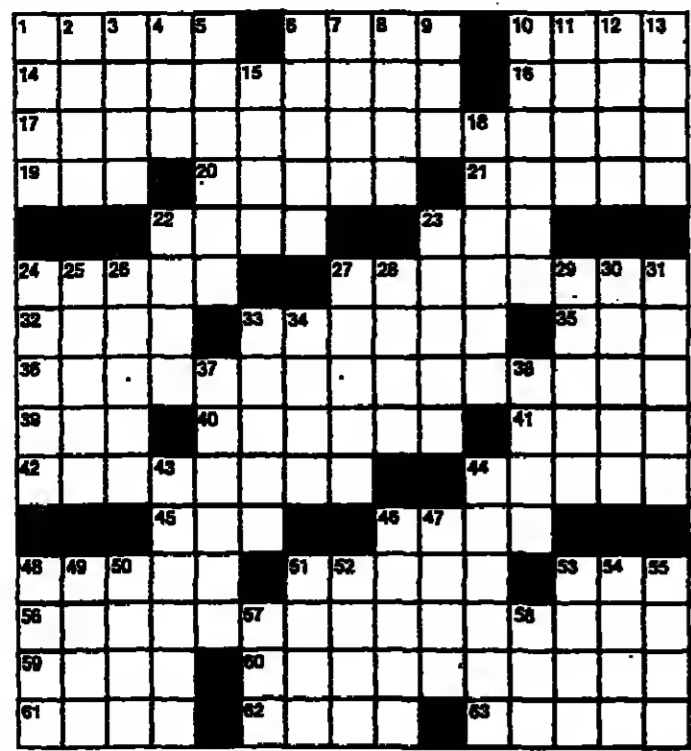
(Continued from Page 1) mention of the government's plans to nationalize key sectors of the industry...

Consolidated Trading Of AMEX Listings

Table with columns: Bid, Ask, Bid, Ask. Lists AMEX listings and trading data.

CLASSIFIED ADVERTISEMENTS (Continued from Back Page) - Includes sections for ESCORTS & GUIDES, REGENCY - USA, LONDON, CAPRICE, GENEVA, AMSTERDAM, HONESTY, ZURICH, and others.

CROSSWORD — By Eugene T. Malaska



- ACROSS**
- 1 Shaw's "The Young..."
 - 6 Cluster, as of flowers
 - 10 Statistics
 - 14 Fear of heights
 - 16 Common Latin abbr.
 - 17 Old Glory
 - 19 Word in a Shakespearean title
 - 20 Turn inside out
 - 21 Elevate
 - 22 Angers
 - 23 First-aid —
 - 24 "— Boy—"
 - 25 "— Boy—"
 - 27 Ludicrous distortion
 - 32 Homeric work
 - 33 Mock
 - 35 Mouths, to Caesar
 - 36 Old Glory
 - 39 Org. of scientists
 - 40 — dictum
 - 41 Indy 500, for one
 - 42 Dissertation
 - 44 Word with way or sea
 - 45 On the — (prompt)
 - 46 Congers
 - 48 John Jacob
 - 51 Biblical mount
 - 53 "— Sundry Afternoon"
- DOWN**
- 1 Zhivago girl
 - 2 — tea
 - 3 Church calendar
 - 4 "— Is the Hour?"
 - 5 Starlike
 - 6 Carry-alls, for short
 - 7 "— Deutschland, — Alles"
 - 8 Decree
 - 9 Basker's objective, perhaps
 - 10 Logomachize
 - 11 Gudrum's husband
 - 12 Heraldic crosses
 - 13 Away from the wind
 - 15 Center of activity
 - 18 As pure as the — snow
 - 22 Quechuan
 - 23 Former Hungarian prime minister
 - 24 Attack
 - 25 Rich biblical country
 - 26 One's brother's daughter
 - 27 Hackneyed
 - 28 Prepare potatoes
 - 29 One kind of energy
 - 30 Vestige
 - 31 German sharpshooter
 - 33 Ledger entry
 - 34 Greek goddess of discord
 - 37 Tours via the highways
 - 38 Monks' titles
 - 43 Idolized
 - 44 Cigarettes
 - 46 Result
 - 47 Diner sign
 - 48 Nora's pouch
 - 49 Store away
 - 50 Subdue
 - 51 Cinch
 - 52 Not in use
 - 53 Precious stone
 - 54 Sparks and Calmer
 - 55 On the main
 - 57 "Honest —"
 - 58 Gershwin or Levin

WEATHER

ALABAMA	ALASKA	ALBERTA	ARIZONA	ARKANSAS	ATHENS	AUCKLAND	BANGKOK	BEIRUT	BELGRADE	BERLIN	BOSTON	BURBANK	BUCHAREST	BUDAPEST	BUFFALO	CAIRO	CASABLANCA	CHICAGO	COPENHAGEN	COSTA MESA	DALLAS	DUBLIN	EDINBURGH	FLORENCE	FRANKFURT	GENEVA	HILVERSUM	HONG KONG	HONOLULU	ISTANBUL	JERUSALEM	LA PALMA	LIMA	LONDON	LOS ANGELES			
68	68	68	68	68	68	68	68	68	68	68	68	68	68	68	68	68	68	68	68	68	68	68	68	68	68	68	68	68	68	68	68	68	68	68	68	68	68	68

RADIO NEWSCASTS

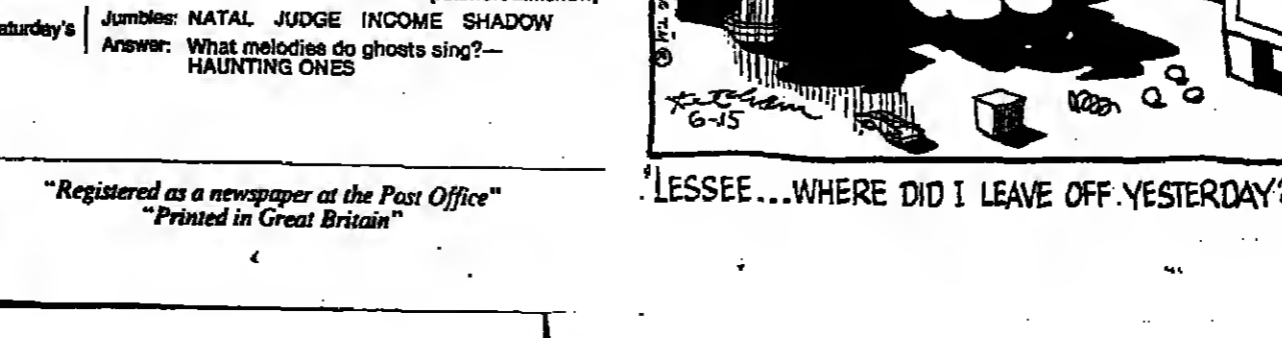
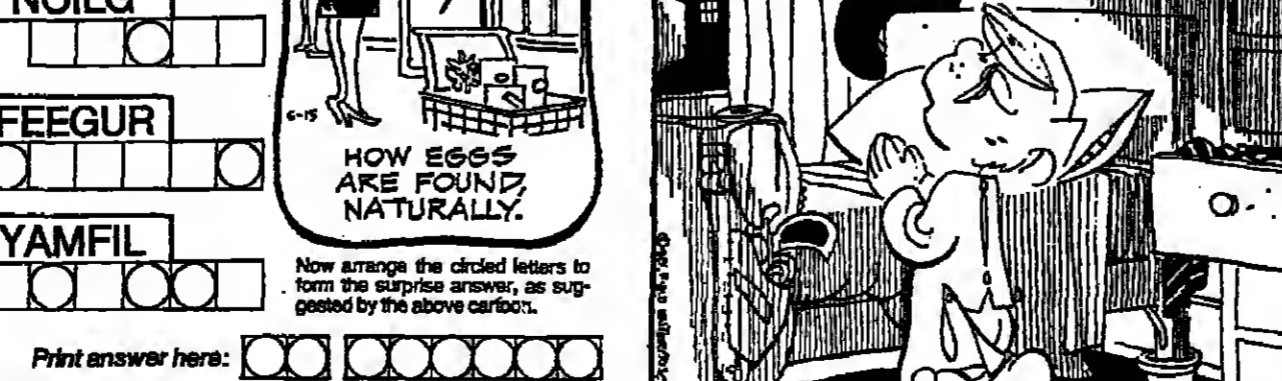
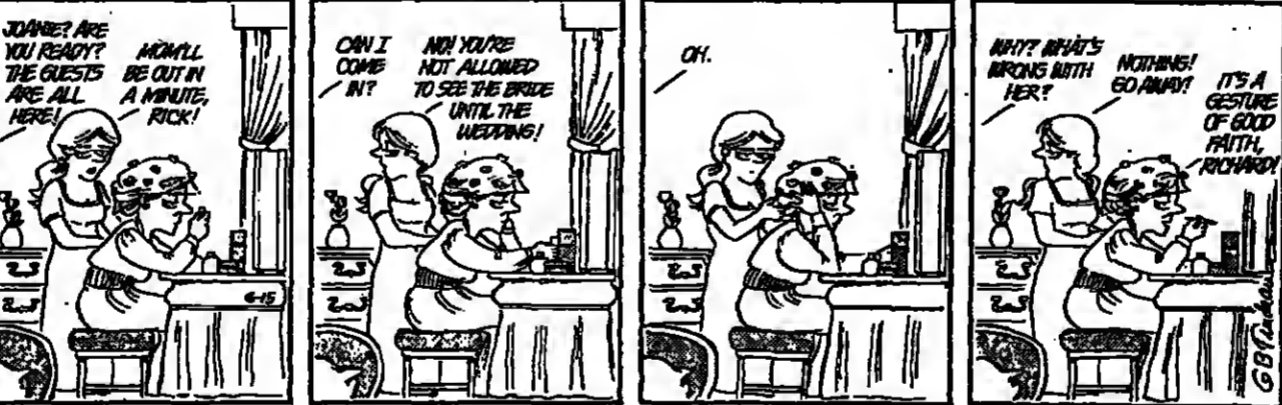
BBC WORLD SERVICE

Broadcasts at 0900, 1200, 1500, 1800, 2100, 2300, 0100, 0400, 0700, 1000, 1300, 1600, 1900, 2200, 2500, 2800, 3100, 3400, 3700, 4000, 4300, 4600, 4900, 5200, 5500, 5800, 6100, 6400, 6700, 7000, 7300, 7600, 7900, 8200, 8500, 8800, 9100, 9400, 9700, 10000, 10300, 10600, 10900, 11200, 11500, 11800, 12100, 12400, 12700, 13000, 13300, 13600, 13900, 14200, 14500, 14800, 15100, 15400, 15700, 16000, 16300, 16600, 16900, 17200, 17500, 17800, 18100, 18400, 18700, 19000, 19300, 19600, 19900, 20200, 20500, 20800, 21100, 21400, 21700, 22000, 22300, 22600, 22900, 23200, 23500, 23800, 24100, 24400, 24700, 25000, 25300, 25600, 25900, 26200, 26500, 26800, 27100, 27400, 27700, 28000, 28300, 28600, 28900, 29200, 29500, 29800, 30100, 30400, 30700, 31000, 31300, 31600, 31900, 32200, 32500, 32800, 33100, 33400, 33700, 34000, 34300, 34600, 34900, 35200, 35500, 35800, 36100, 36400, 36700, 37000, 37300, 37600, 37900, 38200, 38500, 38800, 39100, 39400, 39700, 40000, 40300, 40600, 40900, 41200, 41500, 41800, 42100, 42400, 42700, 43000, 43300, 43600, 43900, 44200, 44500, 44800, 45100, 45400, 45700, 46000, 46300, 46600, 46900, 47200, 47500, 47800, 48100, 48400, 48700, 49000, 49300, 49600, 49900, 50200, 50500, 50800, 51100, 51400, 51700, 52000, 52300, 52600, 52900, 53200, 53500, 53800, 54100, 54400, 54700, 55000, 55300, 55600, 55900, 56200, 56500, 56800, 57100, 57400, 57700, 58000, 58300, 58600, 58900, 59200, 59500, 59800, 60100, 60400, 60700, 61000, 61300, 61600, 61900, 62200, 62500, 62800, 63100, 63400, 63700, 64000, 64300, 64600, 64900, 65200, 65500, 65800, 66100, 66400, 66700, 67000, 67300, 67600, 67900, 68200, 68500, 68800, 69100, 69400, 69700, 70000, 70300, 70600, 70900, 71200, 71500, 71800, 72100, 72400, 72700, 73000, 73300, 73600, 73900, 74200, 74500, 74800, 75100, 75400, 75700, 76000, 76300, 76600, 76900, 77200, 77500, 77800, 78100, 78400, 78700, 79000, 79300, 79600, 79900, 80200, 80500, 80800, 81100, 81400, 81700, 82000, 82300, 82600, 82900, 83200, 83500, 83800, 84100, 84400, 84700, 85000, 85300, 85600, 85900, 86200, 86500, 86800, 87100, 87400, 87700, 88000, 88300, 88600, 88900, 89200, 89500, 89800, 90100, 90400, 90700, 91000, 91300, 91600, 91900, 92200, 92500, 92800, 93100, 93400, 93700, 94000, 94300, 94600, 94900, 95200, 95500, 95800, 96100, 96400, 96700, 97000, 97300, 97600, 97900, 98200, 98500, 98800, 99100, 99400, 99700, 100000.

VOICE OF AMERICA

The Voice of America broadcasts world news in English on the hour and 28 minutes after the hour during varying periods to different regions.

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BOOKS

MINNESOTA RAG
By Fred W. Friendly. Illustrated. 243 pp. \$12.95.
Random House, 201 E. 50th St., New York 10022.
Reviewed by Christopher Lehmann-Haupt

"It is a fair summary of history," wrote Justice Felix Frankfurter in 1950, "to say that the safeguards of liberty have frequently been forged in controversies involving not very nice people." This observation is certainly pertinent to the story told in Fred W. Friendly's "Minnesota Rag," a lively account of a landmark U.S. First Amendment case by the well-known teacher, journalist, author, former television-news executive and irrepressible commentator on matters concerning the press and the law.

For the namesake of Near v. Minnesota (1931), Jay M. Near, who died in 1936, was not a very nice person. In fact, Friendly characterizes Near in so many words as a bigot, extortionist and sleazy scoundrel, whose Minneapolis weekly, The Saturday Press, "practiced a brand of journalism that teetered on the edge of legality and often toppled over the limits of propriety."

The Minneapolis public officials whom Near attacked in 1927 and who shut Near's paper down shortly thereafter with the so-called Minnesota "gag law" were not very nice people. In fact the more Friendly has thought about the case, the more convinced he has become that Near was "90 percent correct" in his newspaper's accusations of criminal neglect of duty on the part of these public officials, though the truth of what Near wrote was never really at issue in the Supreme Court case.

5-10-4 Decision

Even Near's champion and perhaps the ultimate hero of the case, Col. Robert Rutherford McCormick, was not a very nice person. Indeed, Friendly, like a lot of others, had considered the publisher of The Chicago Tribune, a thoroughgoing scoundrel, until he unearthed McCormick's courageous and principled role in backing Near.

Yet it was these not very nice people, along with several curious twists of fate, that led to the gag on Near's paper being appealed to the Supreme Court of the United States. And it was the court's 5-4 decision in favor of Near — on the ground, as Chief Justice Charles Evans Hughes wrote in his majority opinion, "that the liberty of the press, and of speech, is within the liberty safeguarded by the due process clause of the 14th Amendment from invasion by state action," as well as on the ground that the Minnesota "gag rule" constituted prior restraint — that became the legal cornerstone on which the inviolability of the freedom of the American press in the 20th century would be built.

As Friendly concludes in his epilogue, "From the Saturday Press to

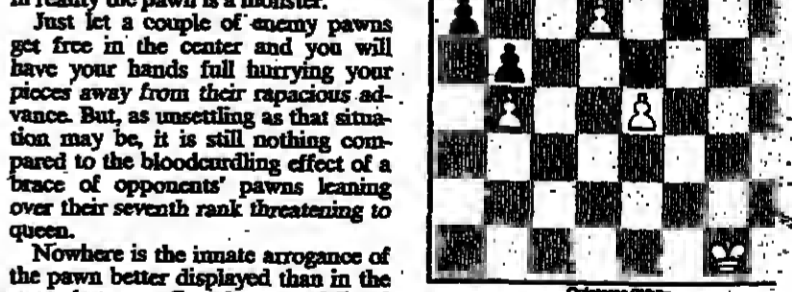
Policeman Executed For Killings in China

PEKING — A policeman killed seven persons in a "counter-voluntary act of revenge" for disfigurement of China's Gang of Four, been executed in the northern town Handan after being displayed before a crowd of 50,000, a provincial newspaper said.

Wang Xiwen stole a gun, spray houses with bullets and hidged grenades in November just before start of the four former leaders' trial in Peking, the Hubei daily report Saturday. Mr. Wang climbed to per in his village during the Cultural Revolution in the late 1960s.

CHESS

By Robert Byr



THE pawn has always come in for a lot of mandrin sympathy — which it absolutely does not deserve. You hear about "the lowly pawn" and "Just a pawn in the gap of fate," but in reality the pawn is a monster.

Just let a couple of rook pawns get free in the center and you will have your hands full hurrying your pieces away from their respective advances. But, as unsettling as that situation may be, it is still nothing compared to the bloodcurdling effect of a brace of opponents' pawns leaping over their seventh rank threatening to queen.

Nowhere is the innate arrogance of the pawn better displayed than in the game between Grandmasters Miguel Quinteros of Argentina and Bent Larsen of Denmark from the Americas-Europe match in Mar del Plata. Quinteros brilliantly sacrificed a bishop to set up advanced connected passed pawns, then gave up the exchange, and finally a rook down, let his pawns win the game for him.

Against Quinteros's hypermodern opening it was possible to play 5... P-K5; 6 N-B1, N-B3; 7 P-Q3, P-P; 8 P-P; 6-K2, but, of course, Larsen's 5... N-B3; 6 P-Q3, P-Q3 was unobjectionable. However, after 7 N-R7, it was dubious to play 7... B-N7; 8 P-R3, giving White the bishop-pair and a half open QN file for the sake of creating doubled pawns hard to exploit.

Quinteros carried out the typical hypermodern program of knocking out one of the enemy center pawns with 12 P-K3, P-P; 13 P-P, thus achieving the superior center. After 15 P-Q4, it was already difficult for Black to set up a defense: 15... P-P; 16 P-Q; P-K7; 17 Q-Q; R-Q; 18 N-R5 would have conceded the White pieces powerful activity; 15... P-K5 would have produced an overextended, weak KP. Larsen's 15... B-B3; 16 P-Q5, B-R5; 17 P-K4 allowed the White center to sweep forward with gain of tempo.

Quinteros's 19 Q-N4! forced the repair of his queenside pawn formation by 19... Q-Q; 20 P-Q, the prelude to his attack with 34 P-KN5, R-P; 35 P-P; P-N4; 36 P-R5, P-P; 37 R-B7. Larsen would have liked to delay this incursion on the KB file, but 36... R-K1, for example, could have been defeated by 37 P-N6; N-B1; 38 R-K2, Q-R-B1; 39 B-B5, Q-R.

Oil and Money Conference.
London, Sept. 28-29.

The second annual International Herald Tribune/Oil Daily conference on "Oil and Money in the Eighties," will take place September 28 and 29 in London.

For further information, please contact the International Herald Tribune, Conference Dept., 181 Avenue Charles-de-Gaulle, 92521 Neuilly Cedex, France. Telephone: 747-12-65. Telex: 612832.

JUMBLE THAT SCRAMBLED WORD GAME
by Henri Arnold and Bob Lee

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.

KYASH
NOILG
FEEGUR
YAMFIL

Now arrange the circled letters to form the surprise answer, as suggested by the above cartoon.

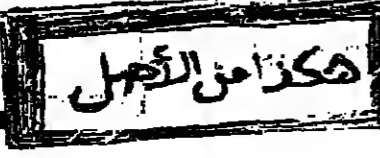
Print answer here: _____

(Answers tomorrow)

Saturday's Jumbles: NATAL JUDGE INCOME SHADOW
Answer: What melodies do ghosts sing? — HAUNTING ONES

DENNIS THE MENACE

LESSEE... WHERE DID I LEAVE OFF YESTERDAY?



Bleacher Bums Foresee A Long, Lonely Summer

By George Vecsey
New York Times Service

CHICAGO — Mark Didtler knew there was a baseball strike when he had to come to Wrigley field just the same. He has been walking to the ballpark since he was 6 years old, 14 years ago, and he couldn't let a strike keep him away.

"It's a little bit of history, don't you think?" he said Friday. "The players have never gone out during a season before. I got here during 10 o'clock, and the flags were flying from the scoreboard, the way they do when there's a game. The sun was out, it was the best weather we've had in a long time, and the Cubs have won five out of six. What a time for a strike."

His feet propelled him by instinct through an unguarded portal, and he found the ramp that leads to the left-field bleachers. He is a student at Winona State College in Minnesota, but he is also a Bleacher Bum, the most rabid form of Cub fan.

It was almost noon. On any normal home date, the Cubs would have been taking batting practice, and the Bleacher Bums would have been dabbling the first handfuls of suntan lotion on their pale Middle West bodies and pouring the first cupful of beer down their parched

last-place gullets. But Mark Didtler was the only Bum in the ballpark.

"I can't imagine a summer without baseball," he said. "I go to most of the games here and a lot of the games at Comiskey Park, too. It's my way of relaxing between semesters at college. No baseball? It's one of the last things you could count on. What will people do this summer?"

Still, Didtler detected some perspective on the strike, with little rhetoric about this being a national calamity. He recalled how the television announcer Jack Brickhouse, who seemingly has been openly cheerleading for the Cubs since the days of Tinker, Evers and Chance, had noted that sanitation strikes hurt people more than the absence of ball games.

Monologue for Wrigley

But at noon Friday on the North Side of Chicago, the summer loomed bleakly, even though the ivy on the brick walls and the grassy field was lush and green.

"I wonder what Ernie Banks is saying right now," Mark Didtler mused.

When Banks was the resident hero of the North Side, he had a monologue about playing in Wrigley Field. Every Bum can recite it like a church litany: "It's a beautiful day for a ball game here in the

friendly confines of Wrigley Field. The only day game in the major leagues. Let's play two."

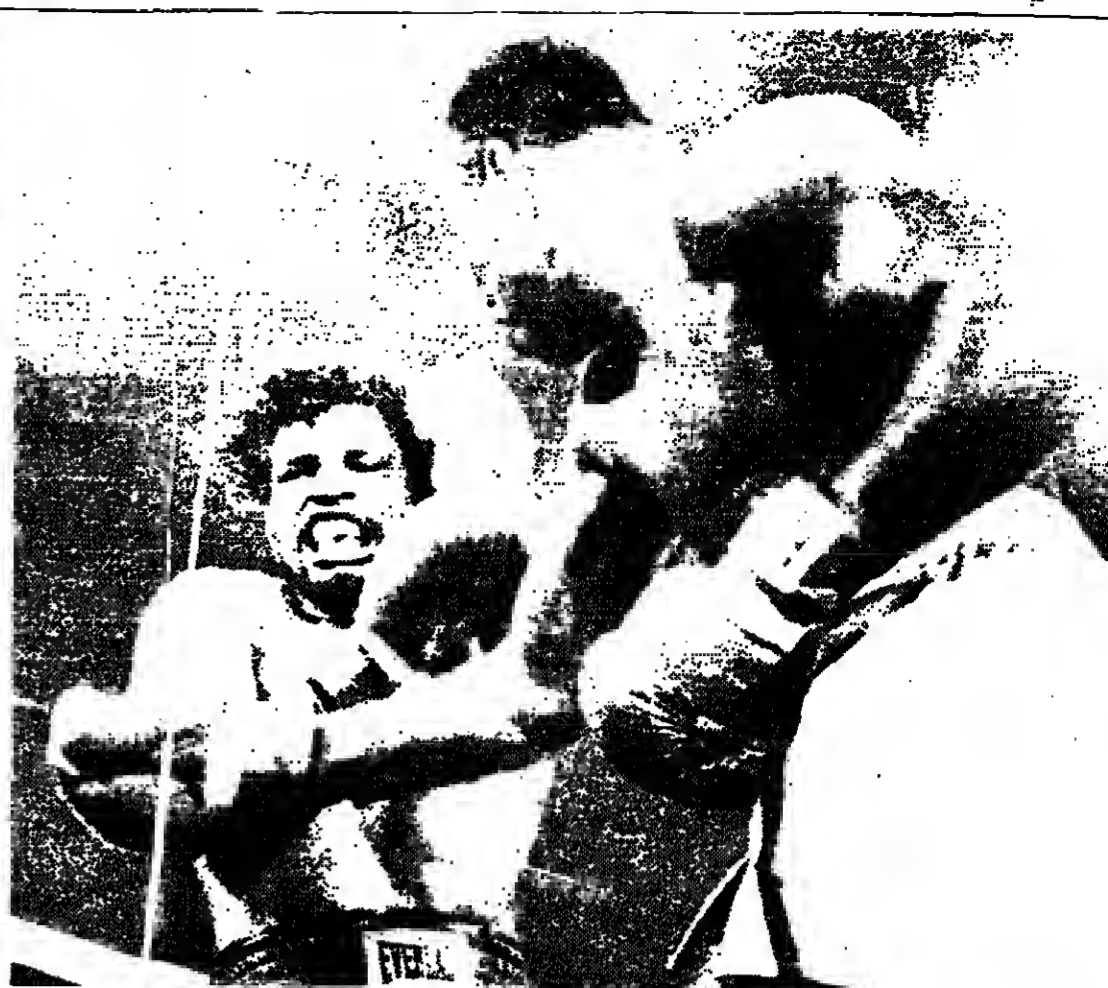
Instead of being the site of the only day game Friday, Wrigley Field became the first ballpark hit by the strike. The proprietors of the Cubby Bear Inn at Clark and Addison would sell no Cubby Bear Pizza Friday. No red hois at the ballpark. Vendors and ushers and security guards had already left as Mark Didtler soaked up some sun and sighed: "I bet a lot of people will go on unemployment because of this. The players make enough money. They won't be hurt. But I can see their point, too. My father says, 'Those guys are overpaid. What are they striking about?' But the way I see it, the owners are trying to take something away from the players. You can't let people do that."

Under the stands, in a cramped clubhouse befitting the Cubs' station in the National League, the players were cleaning out their lockers, wearing jeans and sneakers and looking like transient young singles moving on to the next town. On this most ragtag and insecure team, many of them stuffed gear into duffel bags with names like "Springfield" and "Wichita" and "Iowa" stenciled on them. Bill Buckner, last year's batting champion, stashed his gear in his old Dodger bag.

"Anybody want my itinerary?" asked Mike Tyson, a reserve infielder, who wadded next week's travel plans and flipped them into a basket.



Blood trickles down the face of Vito Antuofermo (left) after he lost a middleweight championship fight to Marvin Hagler in Boston. Antuofermo was



beaten on a TKO in the 5th round. At right, Larry Holmes pounds Leon Spinks against the ropes in Detroit en route to retaining his WBC heavyweight title.

Hagler and Holmes Batter Opponents to Retain Titles

Antuofermo Surrenders After 4

By Burt Barnes
Washington Post Service

BOSTON — Marvin Hagler kept his world middleweight title Saturday night by belaboring Vito Antuofermo, a former champion, for four rounds. He was awarded a technical knockout when Antuofermo, bleeding profusely from facial cuts, failed to answer the bell for round five.

The referee, Davey Pearl, said that Antuofermo's managers stopped the fight. "I thought the fight could have continued," Pearl said later.

Hagler, in a postfight press conference, said: "I wasn't looking to cut Antuofermo up. I was only looking to win. All I'm looking for is to show the people I'm a real champion and I'm going to be a champion for a long time."

Patient Fighter

Hagler, the only champion to be recognized by both the World Boxing Association and the World Boxing Council, has developed a reputation as a cool, calculating and patient fighter. It showed in his handling of the man who fought him to a draw in November, 1979, when Antuofermo was champion.

Attacking with an assortment of punishing punches and jabs, Hagler won every one of the four rounds on Pearl's score card. "I scored it a shutout for Hagler," Pearl said.

Antuofermo, who has had chronic problems with cuts in fights in recent years, began bleeding profusely 30 seconds into the first round, Pearl said later that the cut was caused by a head butt, but

Spinks Loses Heavyweight Bid on 3d-Round TKO

By Michael Katz
New York Times Service

DETROIT — It was short and violent, the way heavyweight championship fights are supposed to be, and Larry Holmes won it the way heavy weight champions are supposed to win.

Withstanding the bruising pressure of Leon Spinks, the undefeated Holmes stopped the former champion at 2:34 of the third round at the Joe Louis Arena Friday night and thereby retained his World Boxing Council heavyweight crown. He did it following the instructions of his brother, and new acting manager, Jake Holmes.

"Third round, right hand," Jake Holmes told his brother as they were leaving the dressing room. "And that's how it ended. Holmes, who admitted he had been "stung" once in a wild second round, was being forced back toward the ropes in the third when a snake-like right hand whipped into Spinks's chin, staggering the challenger and, ultimately, leaving him helpless. A dozen more right hands, in a burst of an occasional left hook, and finally another right sent Spinks down. He was trying to throw punches all the time and allowed Holmes to continue punching.

Finally, the towel came into the ring and Steele stopped it.

The towel was thrown by Spinks's 67-year-old trainer, Del Williams, who grew up in this city with 69-year-old Eddie Futch, Holmes's new trainer. Futch was the trainer who refused to allow Joe Frazier to go out for the 15th round against Muhammad Ali in Manila in 1975.

"Williams's merciful act was in sharp contrast to what Holmes felt was a poor refereeing job by Steele.

"What is boxing coming to?"

2d Round Delayed

Their protests delayed the start of the second round for about a minute, and Pearl had the option of stopping the fight and declaring Hagler the winner.

"But I hate to do a thing like that in a championship," Pearl said.

In the next three rounds Hagler continued to dominate. Antuofermo fought back courageously, even after being knocked down by a savage left jab early in the third round.

Antuofermo, whose record slipped to 46-6-2, said he was butted twice by Hagler, once in the first round and again in the fourth, when a cut was opened over his right cheek.

"It was bad enough getting butted the first round, but then he did it again," Antuofermo said. "I did not think the hitting was that bad until I saw the replay on television."

Pearl said the second butting was caused by Hagler and that he warned the champion about it, threatening to take points away if it occurred again.

But Hagler said it was accidental. He was moving down for a body punch and his head collided with Antuofermo's.

"Those things happen," Hagler said.

Asked if he planned to continue fighting, Antuofermo, who has lost twice to former champion Alan Minter and has seriously considered retiring, said: "I'll have to think about it. I don't know. I'm going to talk to my doctor."

Referee Criticized

Spinks, managed to get up, but Holmes had hurt him and was hammering him in the challenger's corner, where a towel was being waved. The referee, Richard Steele of Los Angeles, ignored the waving

Boxer Conteh Suspended

The Associated Press

LONDON — John Conteh, the former world light-heavyweight champion, has been suspended by the British Boxing Board of Control for failing to appear before a disciplinary committee. Conteh, who was recently convicted on an assault charge, has announced his retirement, although he has not handed in his license.

More Than Luck

"The quarterback," Sipe said, "is only as good as the people around him. If you can say that as an excuse, you have to say the same thing in the good times."

Sipe, however, has been the Cleveland player most honored. Name the most-valuable-player or

Cousineau Reports; Scott Still Missing

The Associated Press

MONTREAL — Middle linebacker Tom Cousineau has finally reported to the Montreal Alouettes, but the Canadian Football League team still is awaiting the arrival of wide receiver James Scott.

Cousineau missed two weeks of training camp because of a misunderstanding with General Manager Bob Gentry. Scott has been missing since the opening of the team's rookie camp May 24 despite several reports that he was on a flight to Montreal.

No Sleep Lost

"I've not lost any sleep over that play," he said. "I've had a much easier time dealing with it than the fans. If you play that kind of football, you've got to be able to accept that kind of demise."

"To play quarterback you won't amount to much if you have thin skin. That particular play was dramatic because it came at a critical time of the season, being in that spot a number of times."

Sipe keeps himself on an even course emotionally by not dwelling on the significance of winning. It may seem heresy in an era of supercharged intensity and frenzied fans, but he does things his way and his way is calm.

"I think," he said, "there are more important things in life than beating the Oakland Raiders. I get paid for it and I want to, but half the guys on the field win and the other half lose."

Baseball Owners Let Others Do Talking

New York Times Service

NEW YORK — It has become apparent that there is no rush among baseball owners to get any more directly involved in the dispute with the players than they were before the strike began.

The owners, for example, are to meet in Kansas City on June 24. The subject of the meeting: the major league broadcasting agreement. The American League held a meeting in Chicago last Thursday. The subject: the 1982 schedule.

"Our man who was there tells me six or seven owners were there [on Thursday] and not a word was mentioned about labor or anything but the schedule," said Peter Bavasi, president of the Toronto Blue Jays.

When labor negotiations resume, most likely on Tuesday, Marvin Miller, the players' union chief, will not be at the bargaining table. He has turned over negotiating chores to players who hold elected positions in the Players Association.

a terrible thing, that the clubs are not represented on the bargaining committee. But we know better than that. We are involved. If any owner or group of owners wants to talk about labor relations, they can ring each other up on the phone."

The members of the Player Relations Committee met daily in New York last week as both sides worked their way to a strike.

While negotiators met with Kenneth Moffett, the federal mediator, on Thursday night, the PRC directors waited outside the street in the hotel suite of Fitzgerald, the committee chairman. The three American League members sat in one room of the suite watching the Yankees' game in Chicago on television. The National League members sat in another room watching the Reds play Cincinnati at Shea Stadium.

Busiest Cub

The busiest Cub was Tim Lincecum, a catcher who recently lost his starting position and who earlier was elected ("railroaded, really") player representative. Blackwell, once released by the Montreal Expos, is one of the players who earn less than the average salary of about \$175,000.

Blackwell said: "We're in the entertainment business, and we're finally making the money we're worth, and now they want to cut back on us."

He told his teammates to keep calling him for news, adding: "I'll be painting my apartment, but my phone is within easy reach."

The players seemed relaxed — neither jaunty nor militant about the strike. Blackwell said he was a little concerned about what fans might think.

"From what I see on television and the newspapers, the majority of fans don't understand the issue. They think we're asking for more money, but we're not."

Mark Didtler understood the issue, but that didn't make him feel better. His diatribes told him there should have been fans congregating on Waveland Avenue and fighting for batting-practice home runs.

The strike was too young for deep despair, but, as he pondered a few days or weeks without baseball, Didtler was given one more pang of being a Cub fan: Somebody told him the 12 o'clock news had said Rick Reuschel, the beefy mainstay of the hapless pitching staff, had just been traded to the Yankees for Doug Bird, a journeyman pitcher whose three-league, three-year, 18-game winning streak had ended Thursday night.

"Rick Reuschel for Doug Bird?" Didtler roared. "They've got to be kidding. This is one of the worst deals they've ever made."

This was saying a lot for a franchise that once traded Lou Brock for Ernie Broglio.

Ickx, Bell Win Race in Le Mans

From Agency Dispatches

LE MANS, France — Jacky Ickx of Belgium and his British co-driver, Derek Bell, won the Le Mans 24-hour motor race Sunday in a Porsche 936. The French trio of Jacky Haran, Jean-Louis Schlesser and Philippe Streiff was second in a Renault-Automobile, 14 laps behind.

But the race was marred by the death of Jean-Louis Schlesser, a French Renault driver, and Jean-Pierre Mobilia, a race official from Tours. They were killed in separate accidents.

The victors covered 354 laps, just 2 1/2 miles less than 3,000 miles in the 24 hours, at an average speed of 125.30 miles per hour. The pair also won the 1975 race in a Ford.

Brian Sipe — Perfectly Content as the NFL's 'Anonymous Star'

By Dave Distel
Los Angeles Times Service

ENCINITAS, Calif. — National Football League quarterbacks, the most-noticed, preferred in the most-noticed sport, are not known for low profiles.

Joe Namath modeled panynhose and got into a controversy by opening a bar on New York's East Side. Dan Pastorini has chased writers through saloons. Terry Bradshaw tried country-western singing and takes acting roles. Sonny Jurgensen does beer commercials.

Brian Sipe? Familiar name, but would you recognize him if he knocked on the door?

No? That is music to his ears.

Only last fall he was described as "the anonymous star" of the NFL, although he was on his way to a No. 1 ranking among NFL passers, and his Cleveland Browns were about to break the Pittsburgh-Houston lock on the AFC Central title.

Most folks in that spot would be trying to capitalize on the acclaim. Not Sipe.

"I take my private life seriously," said Sipe, 31, comfortably unrecognized as he sat in the late afternoon at a seaside restaurant. "That's why we're meeting here and not at my house."

He does not want intrusions. San Diego, his birthplace and year-around home until his graduation from San Diego State, is now his offseason retreat. The quarterback hereabouts is Dan Fouts. That suits Sipe fine.

"San Diego is my home," he said. "I can do what I want when I want, and not be distracted by fans and attention. I suffer with that during the football season."

It is a price he has to pay and he will pay it — but only in Cleveland.

Fascinating Game

"I have a responsibility to Cleveland," he said. "It's primarily a blue-collar town and it needs to identify with sports teams and sports personalities. I try to give myself and still maintain my sanity. It's getting tougher, but it's an



Brian Sipe

Aztec's glory years under Don Coryell. Sipe still holds most career passing and total-offense records at San Diego State.

What Otis Said

The answer lies in the fact that he went to Cleveland and seemed to disappear for a few years. He surfaced after the bean fields and pastures of his Fletcher Hills boyhood had been covered by new people who knew nothing of his exploits at San Diego State.

Sipe spent his first two years in Cleveland on the reserve squad, at times close to being cut. He spent two more years as a second-stringer, getting his chance to start when Mike Phipps was injured in 1976.

He has been the starter since succeeding the legendary Otto Graham in career passing yardage.

In fact, when Graham was named the Browns' all-time great quarterback in 1979, he said: "If the fans vote again in five years, I think Sipe will be the quarterback."

"Otto Graham is a very gracious man," Sipe said. "Those kinds of comparisons are over my head. I have a tremendous amount of respect for him and what he said was certainly an honor. I remember he came to one of our games in 1978 and we had one of the all-time great come-from-behind wins. He came out again in 1979 and the same thing happened. I think Otto did some of the best things in the history of the Browns, a team that had seemed destined to finish behind both Pittsburgh and Houston whether it was 9-5 or 6-8."

Forrest Gregg was fired as head coach after the last-place 6-8 season of 1977, to be replaced by Sam Rutigliano. The new coach told Sipe that he Browns would be going with a wide open attack. That was fine with Sipe, who had been part of such an attack at Grossmont High, Grossmont College and San Diego State.

"But," Sipe recalled with a laugh, "I thought he was kidding. I thought maybe he had called Greg Pruitt and told him we were going to run with the ball."

As it turned out, Sipe finally had a coach who shared the philosophy he had learned so many years before from Coryell.

A New Personality

"Coach Coryell convinced me that the way to beat a team with an obvious physical advantage was to force the action," Sipe said. "Take chances. It made quite an impression. I've believed in it ever since. Throw on third-and-four when you're tempted to run. Throw on first-and-10 when it

might be easier to hand off the ball."

Under Rutigliano, the Browns began to move. They were 8-8 in 1978, 9-7 in 1979 and 11-5 and division champions in 1980.

"The nucleus of talent was there before Sam got there," Sipe said. "He came in and said he wouldn't make any rash decisions. He said he knew there were supposed to be some troublemakers, but he said he'd find out for himself. After the 1978 season, he made a few adjustments and changed the personality of the team."

The Browns themselves had been troublemakers, of sorts. They beat some good teams — Los Angeles in 1978 and Dallas, Philadelphia and Houston in 1979 — but they were not consistent.

"We'd be a speller," Sipe said, "and we kind of enjoyed that role. Nobody took the Cleveland Browns seriously."

That might still be the case. Some folks think the Browns won with a hot quarterback and mirrors. They have been known as the Cardiac Kids because of their last-minute comebacks.

More Than Luck

"The quarterback," Sipe said, "is only as good as the people around him. If you can say that as an excuse, you have to say the same thing in the good times."

Sipe, however, has been the Cleveland player most honored. Name the most-valuable-player or

player-of-the-year award and he has it. He started for the AFC in the Pro Bowl.

He says his teammates have been slighted.

"Do they think we win games on pure luck alone?" he asked. "Everyone says, 'How did a team like the Cleveland Browns win the Central Division against the Pittsburgh Steelers and Houston Oilers?' They look for easy answers, and I've benefited. I'm a quarterback with good stats. But it's crazy. We pass for 4,000 yards and 30 touchdowns and win the division and we don't have any wide receivers in the Pro Bowl."

It all died for the Browns on that frigid January day when they were driving toward another of those cardiac finishes. In the final minute, Sipe threw toward Ozzie Newsome in the end zone and Oakland's Mike Davis made a diving interception.

Critics have said that the Browns should have gone conservative and settled for a field goal and a 15-14 victory. Under the adverse conditions, even a field goal would have been less than automatic. Sipe was consistent with the philosophy he had adopted so long ago.

That's why he is so content. He is perfectly content as the NFL's 'Anonymous Star'.

Stadler Ahead By a Stroke in Westchester Golf

United Press International

HARRISON, N.Y. — Craig Stadler sank a four-foot birdie putt on the final hole for a 3-ender par 68 Saturday and took a one-stroke lead over three rivals after the third round of the Westchester Golf Classic.

Stadler, who had started the round a shot behind Gibby Gilbert and Leonard Thompson, was at eight-under 205 with one round to play in quest of the \$72,000 first prize.

Tied at 206 were J.C. Sneed, after a 35-foot eagle putt on the final hole for a 67, Tom Kite and Ray Floyd, both with 68.

Gilbert, following a struggling round which included five bogeys, needed an eagle on the final hole to salvage an even-par 71 that put him at 207 along with Ron Streck, who had a 66.

Monaco Final Canceled

United Press International

MONTE CARLO — The Monte Carlo tennis final between Jimmy Connors and Guillermo Vilas has been canceled. The match was rained out in April, and the players were not able to agree on a subsequent date.

Who Should Participate?

Some players, as well as some of the dissent owners, feel more could be accomplished if at least some owners sat at the bargaining table. Bavasi disagreed.

"The owners are constantly told if they have any suggestions or comments they should get in touch with Ray and the PRC," he said. "Having 26 owners in a negotiating room wouldn't work. Miller would have everyone believe this is

Transactions

BASEBALL
American League
TORONTO — Signed Bill Pihlstrom, catcher.
CHICAGO — Traded Rick Reuschel, pitcher, to the New York Yankees for Doug Bird, pitcher; Pat Taber, infielder; a player to be named later, and cash. Assigned Taber to Iowa of the American Association.
NEW YORK — Signed Galt Anshel, pitcher, 100 free agent contract and assigned him to Little Falls, N.Y., of the New York-Penn League.
ST. LOUIS — Signed Luis Martinez and Steve DeMatteis, catchers, and Joe Linta, third baseman. Assigned Costello, Licio and Martinez to Kingsport (Tenn.) of the Appalachian League, and DeMatteis to Little Falls.

FOOTBALL
National Football League
LOS ANGELES — Signed William Dunfee, defensive lineman; Ron Bittie, tight end; Robert Alexander, halfback; and Jairo Penaranda, fullback.
NEW YORK JETS — Signed Freeman McNeil, running back; Kenny Neal, defensive tackle; Admiral Dawes, Line, cornerback; and Mike Moduler, offensive tackle.

HOCKEY
National Hockey League
MINNESOTA — Named Gene Lubrano general manager and coach of their newly-relocated Central Hockey League farm team in Nashville, Tenn.

McEnroe, Nagelsen Lawn Tennis Winners

Reuters

LONDON — John McEnroe beat Brian Gottfried, 7-6, 7-5, Sunday in the final of the London Grand Prix grass court tennis championship at Queen's Club.

And Betsy Nagelsen defeated Barbara Hallquist, 6-4, 5-7, 6-3, to win the Surrey grass court women's tennis championships at Surbiton. On Saturday, Nagelsen beat Martina Navratilova in the semifinals.

Sylvia Hanika, meanwhile, has withdrawn from the tournament starting Monday in Eastbourne, England, with an ankle injury.

